NOTRE DAME UNIVERSITY

RE-LAUNCHING PLAN FOR A LEBANESE CIGARETTE BRAND "CEDARS"

By
ANTOINE NAYEF AMINE

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RE-LAUNCH PLAN FOR A LOCAL
CIGARETTE BRAND "CEDARS"

ANTOINE NAYEF AMINE

Approved by:

Dr. Karam

Mr. Naji Bejjani First Reader

Mr. Clark Khadij Second Reader

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AN ABSTRACT OF THE PROJECT FOR RE-LAUNCHING CEDARS IN THE LEBANESE MARKET

Antoine Nayef Amine for Master of Business Administration
Major: Business Administration

Title: Re-launching plan for a local cigarette brand " Cedars".

THE TOPIC

With the beginning of the new millennium and after witnessing the globalization era, we cannot but continuously look and identify opportunities to ensure product continuation. The market is becoming more and more competitive especially that consumers are becoming more knowledgeable about what they purchase and what they consume.

Moreover, with all the economic challenges Lebanon is facing, the consumers are becoming demanding regarding each and every product in the market. The purchasing decision for many consumers is not based on the brand name anymore but rather its affordability. The amount of goods the consumer is going to get in exchange for the same value of money is now threatening the concept of brand loyalty.

This phenomenon is especially true in the Fast Moving Consumer Goods (FMCG) industry as the quantity to be consumed is becoming a real issue for consumers. This has benefited the "Made in Lebanon" products due to their cheaper prices relative to the foreign brands.

All the local industries are currently tackling this matter to establish a solid ground for the loyalty of the Lebanese brands. Moreover, multinational companies that have common interests in the country are aiding the industries in that respect especially when they need to gain public trust. This is the case of the Tobacco companies that are working closely with the government to enhance the agricultural sector; mainly the growing Tobacco sector.

Managing the CEDARS brand in the Lebanese market for quite sometime, the Regie Libanaise du Tabbac et Tombac (RLTT) could benefit from this brand when it starts performing well in the market. However, for a reaction to take place, you need the required effective action. So, in order for this brand to gain a decent market share and generate more profits, the RLTT should effectively support it.

This study will show how to re-launch Cedars in the Lebanese market knowing that the brand is already established and perceived as the low quality cheap brand without any clear image identification.

OUTLINE

RE-LAUNCH THE LOCAL CIGARETTE BRAND "**CEDARS**" IN THE LEBANESE MARKET

I. Market Situation:
- **A. Population & Income Distribution**
- **B. Cigarette Industry**
- **C. Market size & Segments**
- **D. Dominant Companies**
- **E. Legal Issues / Regie (RLTT)**
- **F. Market Expenditures (DME)**

II. Target Audience:
- **A. Primary target audience**
- **B. Secondary target audience**

III. Consumer Perception & Choices:
- **A. Local Product**
- **B. Local Cigarette**
- **C. Cedars**

IV. Marketing Strategy:
- **A. SWOT Analysis**
- **B. Concept/Brand positioning**
- **C. Strategy**
- **D. Brand name & Heritage**
- **E. Product**
- **F. Pricing**
- **G. Distribution / Route to Market**

V. Communication:
- **A. ATL**
- **B. BTL (Promotion /Direct contacts)**

VI. Expenditures & Budgets:
- **A. Budget Split**

VII. Financial Forecast:

VIII. Recommendation:

IX. Conclusion:

WHY IS THE PROJECT IMPORTANT?

This project is very important to Lebanon from various aspects. In fact, it is important for the agricultural sector. The Lebanese Tobacco plant is known to be among the best quality leafs in the world. It is important to note that the leading International companies in the world buy a significant quantity of the Lebanese Tobacco produce which is then used and mixed with their own blends and sold back to the final consumer under their own brand names. So, having a good quality leaf could be of advantage to the Lebanese economy and would ultimately raise the standard of living of the Lebanese peasants whose only main source of living is that product.

Also, when the RLT starts to generate profits from this brand, the company will definitely invest more in the agricultural sector. This would be done through inter-ministry coordination (Ministry of finance & Agriculture). Therefore, new modern agricultural techniques will be adopted thereby maximizing efficiency in productivity, thus reflecting positively on the overall economic environment.

On the other hand, and by having an organized and structured long term plan, the brand might gain the confidence of the smokers in the country and gain market share from competition. Actually, the brand has all the pros to prevail over the imported international brands; it has the strong heritage, the freshness, the government support, and the high profit margin when compared to the imported brands.
In fact, this will not only affect the agricultural sector but will also create new jobs and affect other sectors of the Lebanese economy in a positive manner.

OBJECTIVES

The main objectives of the research are summarized and presented as follows:

1. To present an analysis to prove the positive outcome of the investment behind the local cigarette brand, Cedars.
2. To present a marketing plan for the re-launch of Cedars that would establish a solid ground for the brand in the minds of consumers. This will certainly be translated into an increase in the sales volume in the future.

The above stated objectives would be the backbone to this study in all aspects. As a matter of fact, the research will tackle and analyze the market dynamics. However, and while covering all these data, the research might end up having figures and data that might contradict the plan and show negative output to the above premises.

Having said so, another plan would be put aside as a contingency plan. This plan would either be to start from scratch thereby building and establishing a new brand name and taste; or simply allowing the manufacturing of a multinational brand in the country with an alliance deal between the government and the multinational company.

LIMITATIONS

There are limitations that need to be considered while conducting this research. First of all, the sales figures that are available are based on the RLTT. This does not mean that these figures might be incorrect, but rather that they are not the only criteria that determine the market size and the market share. This is simply due to the availability of the gray market. Thus, not all the quantity that is sold is consumed domestically. In other words, the box that is sold in Lebanon might end up being transported and sold in Jordan or Iraq. This is basically true for all the well-known international brands that are available across the Middle East and the Gulf region.

Also, and as mentioned before, as parallel imports go out of the country they can also come into the country. Thus, the market size and share cannot be accurate, and we should always account for a small margin of error.

Another limitation would be the *Time* element/factor. The research aims at studying the current situations in which past figures are evaluated and future trends are projected. It is impossible to get the future figures or marketing expenditures from companies as these are confidential.

It is obvious, that measuring the effectiveness and success of the plan is done through sales and profitability, which are indicative of customer loyalty and satisfaction. In this case, it is impossible to evaluate and judge the success of the plan within one year. In fact, there would be some indicators that would lead and allow the executors of the plan to assess the current position and adjust or direct the strategy accordingly. Yet, the real plan assessment requires a significant time frame whereby the consumer trend in relation with the brand is measured. In fact, brand loyalty cannot be established over night, yet the plant for brand loyalty needs to be nurtured for quiet sometime.

The ideal scenario for decision-making needs around 2 to 3 years. This would be purely based on objective judgment neither on subjectivity nor generalization.

METHODOLOGY

The research needs different sources of primary data to ensure a structured plan with solid base. The **primary data** are collected as follows:

Household Research: The household research with the consumer spending, disposable income, education, and geographic distribution across the country will help in recognizing and determining the target audience behavior. This will allow the study to determine the size of the target audience within the Lebanese population.

Industry Data

a- Market Size: The market size for the Tobacco industry will be gathered to determine the market dynamics. The data will help in identifying both opportunities and threats depending on whether the market is booming or shrinking. Thus, in both cases different strategies should be identified. To be more specific, if the market size is shrinking at a fast pace the decision to invest in the local brand needs to be questioned. However, if this decrease in the market volume has its own solid reasons, then the decision for investment will be revised.

b- Price Segments: Tracing the evolution of the price segments for the past four years will measure the decline or growth of these segments with respect to each other. This is simply due to the fact that the overall market volume remains constant. Here, opportunities could also be identified for the local brand.

c- *Direct Marketing Expenditures:* The industry expenditures of both classical and promotional communications will work as a benchmark later in the proposal. In all cases, the information is needed in order to assess competitive moves and strategies per medium. Therefore, the assigned budget and its split that will be defined later in the project will have to be allocated so that it allows the brand's communication and message to stand out from the clutter of competition.

<u>Quantitative Research</u>: This represents a more in-depth analysis for the brand itself. This research will be conducted to further probe into the consumers' changing tastes and needs. So a set of questions is prepared to assess the perception of the local product in general, to the local manufactured cigarette and then Cedars. This will definitely set the vision for the new Cedars brand positioning.

Moreover, some **secondary data** will be needed as a guide and reference to determining the brand's new positioning. These will serve as a benchmark and guideline for other similar marketing cases. Based on some of these marketing theories, trends and learnings, the new brand personality, communication and marketing P's will be determined.

CONTENT

The first chapter will be a general introduction of the topic, its importance, objectives, methodology, and limitations.

The second chapter will tackle the market situation. It will present a Literature Review, where the research will cover the demographics and the income distribution among the Lebanese population and assess its financial aspect. This will help the reader in forming an idea about the consumer's purchasing power.

Then the research will generally cover the various brands available in the market and their respective companies. After that, the market size and the various cigarette categories (grouped by the various price segments) are defined. We will show the market shares of each brand and the total share of each company. The above will give the reader a notion about the companies' strength and know-how in the market place and their operations and involvement in this sector.

Then the legal issues and the Regie (RLTT) operations are to be addressed. The research will show how the Regie operates, buys, and sells cigarettes until it reaches the final consumers, where the advantage of the Regie owning a brand holds (Push strategy rather than Pull strategy).

The research will then show how the direct marketing expenditures (DME mainly in above-the-line) of the industry is split by company and by brands. These figures will be used as a benchmark for the expenditure figures needed to re-launch Cedars.

The third chapter will cover the target audience. The target audience will be defined so that it would become the guideline across all our activities.

Once the target audience is derived, the advertising concept could be projected accordingly to meet the target audience's needs and expectations. The target audience will be divided into a primary and secondary group. This will allow for a more focused and targeted message and activity.

The fourth chapter will be the quantitative research that would allow the gathering of consumer insights about both the market and the brand.

The fifth chapter will present the marketing strategy. Here the study will include a SWOT analysis that gathers both the market and the brand related issues and opportunities for a better decision-making process. The concept from which we start our communication plan is to be determined. Here an in-depth analysis for the brand essence featuring the physical and emotional aspects of the brand will be conducted. These will be the guidelines for any future communication platform. Of course, the current brand image and positioning is evaluated. Is the brand repositioning necessary? Does it suit the brand and how? These issues are to be tackled as part of a long-term effective plan. After all, this is the driving force for a brand's long-term survival. Here we will discuss the advertising strategy that is partially derived from the unmet needs and insights of the quantitative research. Thus, the strategy will then be defined to link the product's benefit and features to its core target audience. The brand name, its heritage, and reputation will be discussed to find the possibility of capitalizing on these elements. Are we to capitalize on its name or does it have a chance for survival after the repositioning in the consumer's mind?

Then the four marketing Ps are covered. These are the tools that determine the product. For perspective, the product itself will be discussed and addressed from the physical (taste, freshness etc…) points of difference. Then comes the pricing factor. This will address the price of the brand across the distribution chain. In what price segment do we need to place the brand after its repositioning? Are we to keep a small price difference between Cedars and other cheap brands within the category? Is the retailer going to make additional profit from sales over competition? The route to market also has a crucial role. Here we will show how we are going to design the pipelining of the brand. We will explain how we can push the brand and apply the Horse-Back-Ride strategy on reputable brands.

Finishing the marketing strategy, the research will then tackle the promotional activity that will be covered in the sixth chapter. The promotion is the way to introduce the rejuvenated brand to the consumers; it is the consumer/product introduction. So the research will show what needs to be done to induce trial among the target audience. It is very important to let consumers try the brand so that they go for a repeat purchase. Of course the promotion that is planned will be a tool to either generate retrial or reward loyal consumers.

After the consumer/product activity, we will go through a financial analysis section which will be benchmarked against competitive expenditures. The details of the budget and its split per medium will be addressed. Of course a rational analysis will follow to explain this split.

Like any other business, the bottom line is how much profit is generated. Will the re-launch yield a positive return on investment? This will be answered in the financial forecast section whereby a five-year sales plan is projected. This is a purely financial exercise in order to measure the effectiveness of this long-term investment.

Then the final chapter will include the recommendation for the project highlighted at the beginning, including the contingency plans and the conclusions.

MARKET SITUATION

Population and income Distribution

Lebanon is a country with various ideological and cultural aspects within various social classes. There were several attempts to identify and establish a common base to group consumers with a common ground. This way, it would be easier for marketers and advertisers to answer the continuous changing needs of every group of consumers.

In fact, Lebanon is a country with a population of about 4,005,025, out of which 66% are less than 34 years of age. So a good chunk of the population is young. Moreover, we cannot but mention that there are more than 1.5 million foreigners in the country; these are the Syrians (around 1 Million) and the Palestinians (500K). This opens a big opportunity for marketers to target the needs for these specific groups.

The Lebanese population is equally split among males (50.23%) and females (49.77%). The 20 – 34 years old represent 27% of the total population, where they are equally split between the two genders. In line with this overall split, the Suburbs and North regions capture the highest percentage of the 20-34 years old (23% & 20% respectively), and in Beirut only 9%.

Similarly, the distribution of the 20 – 34 age segment in most regions does not significantly vary from the national average, with the greatest percentage in the Bekaa (40%).

The males being 2,011,724 individuals, out of which 27% are 20-34 years old, are more or less identical in other regions. However, significantly differs in effective numbers or size, depending on the population size in each region. As for female being 1,999,300 individuals, out of which 27% are 20 – 34 years old, are as males equally split in the regions.

As for occupations, 31% of the population is employed, with the 20 – 34 being the backbone. The remaining two major segments are students (30%) and housewives (24%). Below is the split and more detailed explanation:

- Young segment 18 – 19 is mostly students (% n/a).
- At 20 – 34, 36% are employed and nearly 23% equally for university students and housewives.
- The higher end of the age bracket is mostly employed (57%) or housewives (33%).

	Occupation							
	Employee	Seeking 1st Job	Unemployed	Student	Retiered or Contended	Young girls / Housewives	Others	Total %
Age								
O to 4				18.5			81.5	**8.00**
5 to 9		0.1		95.4			4.4	**9.81**
10 to 14	1.9	0.9		93.8		1.8	1.6	**10.11**
15 to 19	15.4	5.1	1.1	63.6		12.7	2.1	**10.99**
20 to 24	36.2	6.1	1.7	24.4		22.3	9.1	**9.91**
25 to 29	57	3.2	2.5	4.6	0.1	30.8	1.8	**9.01**
30 to 34	57.1	1.3	2.4	1.2	0.1	36.7	1.2	**7.97**
35 to 39	57.5	0.5	2	0.3	0.3	38.5	0.8	**6.62**
40 to 44	57.6	0.2	1.8		0.8	38.6	1	**5.17**
45 to 49	54.1	0.1	1.8		1.4	41.5	1	**4.59**
50 to 54	50.9	0.1	1.8		3.2	42.5	1.5	**4.16**
55 to 59	47.8	0.1	1.2		7.1	42	1.8	**3.66**
60 to 64	41		1		12.1	43.2	2.8	**3.29**
65 to 69	30.5		0.7		18.3	45	5.5	**2.59**
70 & over	14.8		0.1		28.7	45.2	11.2	**3.88**
Unknown	38.1	1.1		12.4	8.1	33.3	7	**0.23**
Total 15 to 64	**45.1**	**2.5**	**1.8**	**15.2**	**1.4**	**31.3**	**2.7**	**65.38**
Total	**31.1**	**1.7**	**1.2**	**30.3**	**2.6**	**23.7**	**9.4**	**80217**

As for the social and economic characteristics, 15% of the population hold a secondary or university degree, with 9% being completely illiterate. It should be noted that 30% over and above are current students, and 13% hold an intermediate degree.

		Non Student Split							
Age	**Student**	**Read & Write**	**Elementary**	**Intermediate**	**Secondary**	**University**	**Below School Age / Undefined**	**Illiterate**	**Total**
0 to 4	18.50						81.50		**8.04**
5 to 9	95.43	0.21	0.21	0.03			3.26	0.86	**9.85**
10 to 14	93.93	1.29	2.70	0.28			0.24	1.56	**10.15**
15 to 19	64.05	3.66	19.57	8.76	1.19	0.07	0.29	2.41	**10.96**
20 to 24	24.95	4.04	25.46	24.42	13.86	3.82	0.15	3.30	**9.74**
25 to 29	4.70	4.96	26.42	24.61	21.56	13.16	0.19	4.39	**8.87**
30 to 34	1.21	5.14	26.90	24.92	20.57	15.03	0.20	6.03	**7.95**
35 to 39	0.30	5.98	28.02	24.43	19.34	14.06	0.10	7.78	**6.63**
40 to 44		6.51	28.43	22.82	17.52	13.41		11.31	**5.19**
45 to 49		9.11	28.53	19.22	14.91	12.41	0.10	15.72	**4.61**
50 to 54		11.72	29.46	16.33	11.32	10.32		20.84	**4.17**
55 to 59		14.09	28.27	13.09	9.49	7.39		27.67	**3.68**
60 to 64		17.70	25.10	10.30	5.90	5.00		36.00	**3.31**
65 to 69		19.68	23.18	7.49	3.80	3.00	0.10	42.76	**2.61**
70 & over		21.60	17.40	6.00	4.20	2.30		48.50	**3.90**
Unknown	12.41	15.08	20.96	5.87	4.82	3.24	1.58	36.04	**0.23**
Total Sample	**30.46**	**5.97**	**18.48**	**13.20**	**9.17**	**5.97**	**7.02**	**9.73**	**80217**

As for the active population split by profession, these are divided as follows:

- 23% of the population are in commerce
- 15% are in the industries
- 12% are in building and public construction
- 9% are in agriculture and fishing
- 9% are in teaching (mainly females).

As for the Household Income by Region, below is the split:

- Nearly 43% of households earn between \$300-\$800 per month
- The other large segment is \$800-\$1600 with 25% of households
- The first segment is least present in Beirut & Mount Lebanon, because of relatively higher education standards.
- Consequently, the \$800-\$1600 is mostly dominant in Mount Lebanon, Beirut & its suburbs, as well as in the Bekaa. On the other hand, the North & South seem the most unfortunate.
- The relatively well-off groups are mostly found in Mount Lebanon (23%), Beirut (20%) & its suburbs (15%)

Average Income By Month in USD	Region							Total Average
	Beirut	Suburbs	Mont Leb.	North Leb	South Leb	Nabatieh	Bekaa	
	Household Average Income By Region in %							
Less than 200	4.1	2.8	3.6	8.5	10.4	7	7.5	**5.8**
Between 200 & 330	10.3	9.6	7.8	17	22.8	14.5	13	**13**
Between 330 & 530	15.9	21.5	15.5	23.3	24.5	25.4	22.4	**21**
Between 530 & 800	18.9	22.4	19.3	21.5	18	24	24.1	**21.1**
Between 800 & 1070	14.7	15.2	14.2	11.5	10	13.4	13.3	**13.4**
Between 1070 & 1600	14.9	12.2	16.2	10.6	6.8	9.7	11.9	**12.1**
Between 1600 & 2130	7.3	7.2	9.9	3.7	3.4	3.6	3.9	**5.9**
Between 2130 & 3330	6.3	5	8.2	2.1	2	1.6	2.6	**4.3**
Over 3330	6.7	3.8	5	1.5	1.6	0.6	1.3	**3.1**
Undefined	0.8	0.3	0.2	0.3	0.4	0.2		**0.3**
Total Household	**11.03**	**23.46**	**16.44**	**17.45**	**11.30**	**7.49**	**12.84**	**16864**(1)

(1) Total Household

Having the above figures, it is worth digging further for more information on how this monthly income is being spent. This would illustrate some insights about the consumers' willingness and ability to buy certain products:

- 34% of the yearly spending goes to food
- 13% on education
- 9% on health care
- 9% on transportation
- 7% on electricity, water and telecommunications
- 5% on leisure
- Clothing, personal care, household appliances capture the remaining share.

Spending Type	Region / Spendings in %							Total Average
	Beirut	Suburbs	Mont Leb.	North Leb	South Leb.	Nabatieh	Bekaa	
Food	31.92	31.77	33.62	33.82	37.01	37.71	37.93	**33.85**
Clothing	5.47	5.25	5.27	9.69	6.35	6.46	5.72	**6.19**
Personal Care	5.51	5.46	4.85	5.69	6.15	7.50	5.93	**5.60**
Rental	2.44	2.51	1.40	0.85	1.12	0.34	0.71	**1.61**
Elect. Water , Teleph	6.53	6.77	8.33	7.00	6.51	6.67	8.82	**7.26**
Maintenance	2.68	2.21	2.54	1.61	2.04	1.94	1.87	**2.19**
Household Appliances	3.43	5.57	3.99	4.39	5.24	2.98	2.01	**4.24**
Transportation	7.66	8.03	9.31	9.05	8.01	8.96	9.20	**8.57**
Education	14.12	14.15	13.65	12.52	10.29	10.21	12.86	**13.14**
Health Care	10.12	8.64	8.41	7.81	8.86	7.48	8.56	**8.63**
Leisure	5.67	5.46	5.27	4.73	5.26	7.04	4.09	**5.25**
Others	4.44	4.17	3.36	2.82	3.15	2.68	2.30	**3.48**

* Central Administration of Statistics, February 1998.

Cigarette Industry:

The cigarette industry in Lebanon is very active. The major players in the market are a few multinational conglomerates that only plan and execute marketing strategies, as the importation and distribution of cigarettes goes exclusively to a governmental body called the Regie Libanise des Tabac et Tombacs. It is a separate governmental entity that coordinates directly with the ministry of Finance.

The cigarette industry in general is categorized and divided according to the cigarette prices. Below, are five different price segments in which cigarettes are categorized.

- Above Premium segment: 2,500 L.L - and Above.
- Premium segment: 2,000 L.L.
- Mid Price segment: 1,500 L.L.
- Low segment: 1,000 L.L
- Cheap segment: 750 L.L.- and below

Having mentioned the above categories, most of the multinational brands have their own brands in those different segments. Below is a chart that shows the industry portfolio:

INDUSTRY PORTFOLIO

	A. Premium	Premium	Medium	Low	Cheap
	(2,500)	(2,000)	(1500)	(1,000)	(750)
- PM		Marlboro	Chesterfield	Bond Street	
		Merit	L&M		
- BAT	Cartier	Kent	Lucky Strike	Viceroy Box	
		Silk Cut	Viceroy Soft	Montana	
		Benson & Hedges	Pall Mall		
		Rothmans	Kim		
		Dunhill	Craven "A"		
		Peter Stuyvesant			
- JTI			Winston	Monte Carlo	
		Vantage	Hi Lite	Wave	
		More			
		Mild Seven Lights			
- Seita			Gitanes		
			Gauloises		
- Reemtsma	Davidoff				
- RLT					Cedars
- Others	Fusion			Dallas	Cleopatra
				United	
S.O.M %	**2.1**	**42.5**	**34.5**	**6.1**	**14.8**

Industry Market Share % Y.T.D.:

As for the cigarettes market share, and as mentioned before, each company has several brands in each and every segment. Grouping the brands under their respective company or manufacturers, the following table shows the market shares for the past three years.

COMPANY	*1999*	*2000*	*2001*
PHILIP MORRIS	44.3%	41.3%	38.9%
BAT	37.4%	37.8%	44.4%
REGIE LOCAL	8.8%	11.2%	8.3%
JTI	4.8%	4.5%	4.7%
SEITA	3.5%	3.5%	2.7%
OTHERS	1.2%	1.7%	1.0%
TOTAL MARKET	**7,790**	**7,572**	**8,664 (billion sticks)**

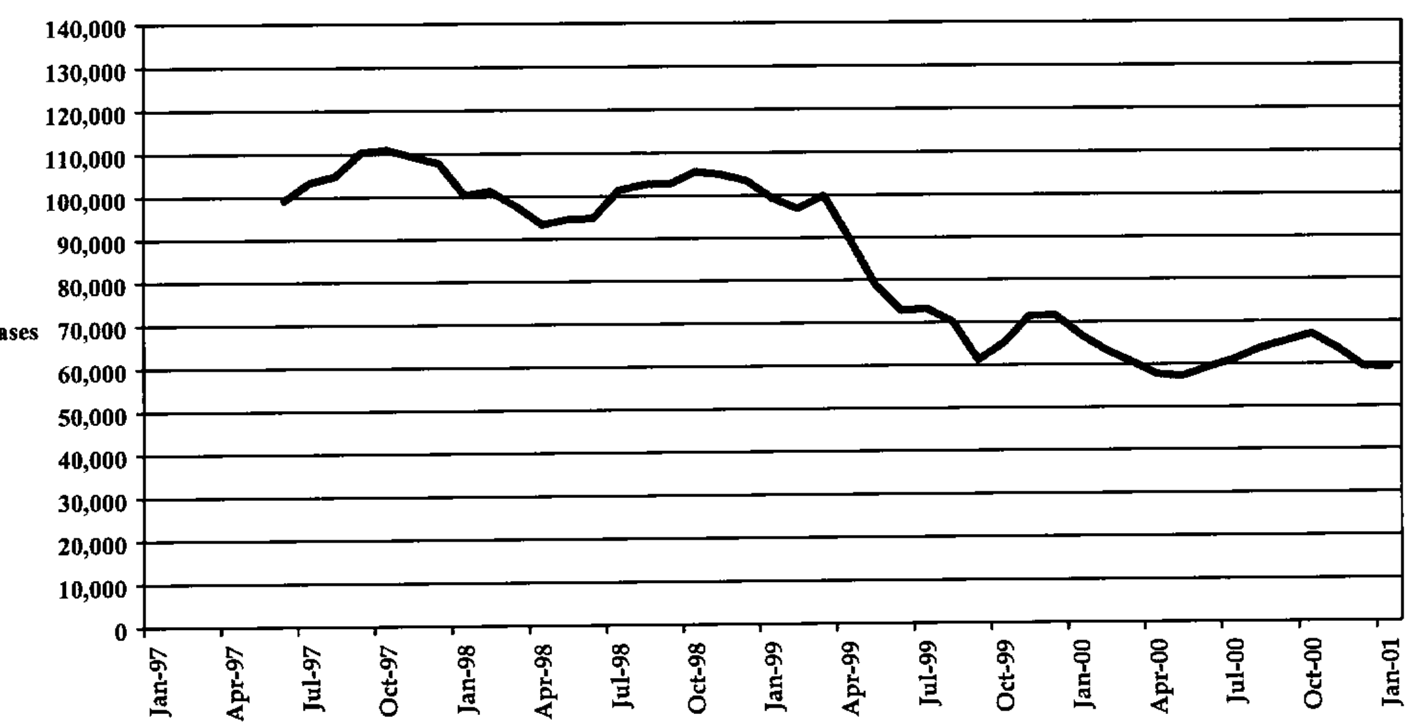
As it is obvious from the above table, Philip Morris Company used to be the leader in this industry because of its reputable worldwide brand, Marlboro. However, BAT has taken this leadership position in the year 2001. This is mainly because BAT has a good brand portfolio in all segments whereas PM rely mostly on its premium brand Marlboro and is weak in the other segments.

So BAT is gaining market share from its rival due to consumer down-switching to cheaper cigarettes from premium to mid segments where they have more than two active and powerful brands (Viceroy Soft & Lucky Strike).

It is important to note that the drop in the total market from 1999 to 2000 is the result of the tax increase the government has put on tobacco, which made the RLTT lose around 29 Million US Dollars due to a decrease in sales in only a period of three months.

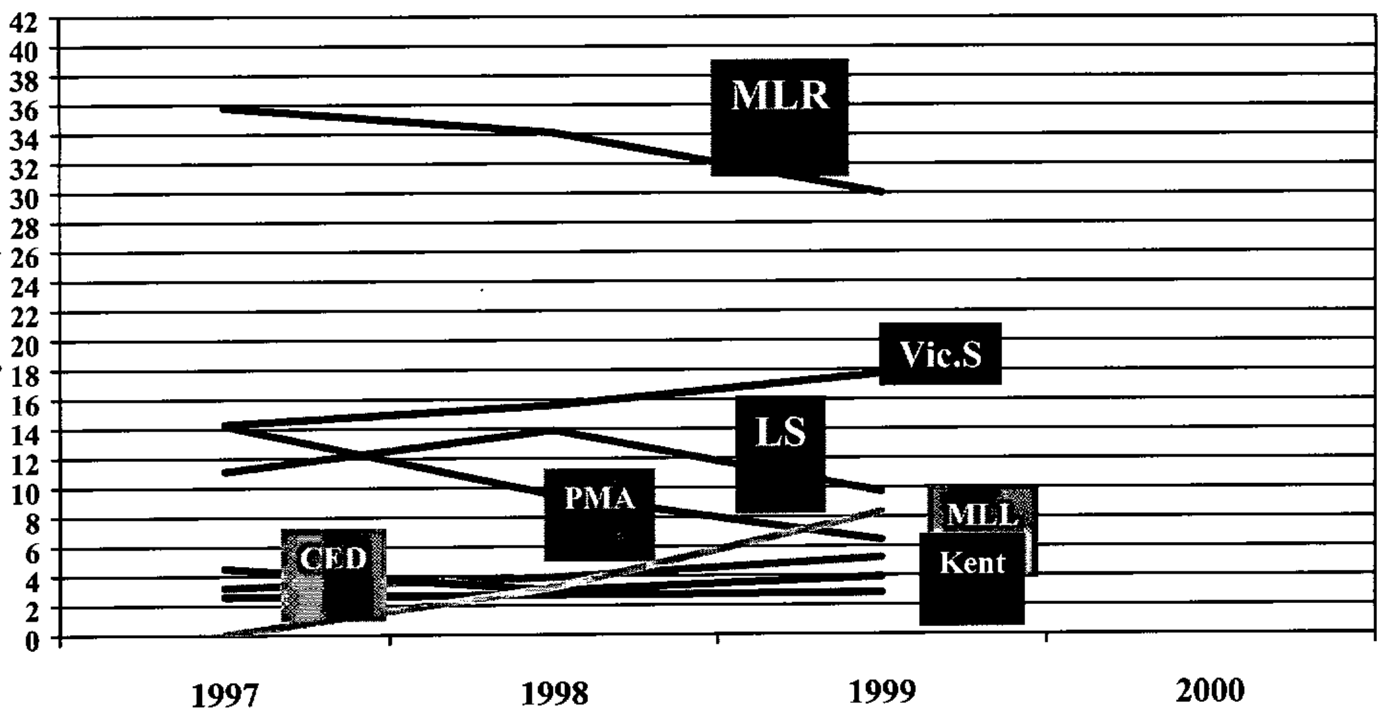
Below, is a chart that shows the trend on the change of the total Regie sales across the years from 1997 to 2001. So the sales trend is decreasing with a big drop in sales in the year 99.

Market size 97-01 (6mm)



The below chart, shows the market share split between brands. This split or share does not take into consideration the split in segments but shows the dominant brands grouped all together.

Market Share

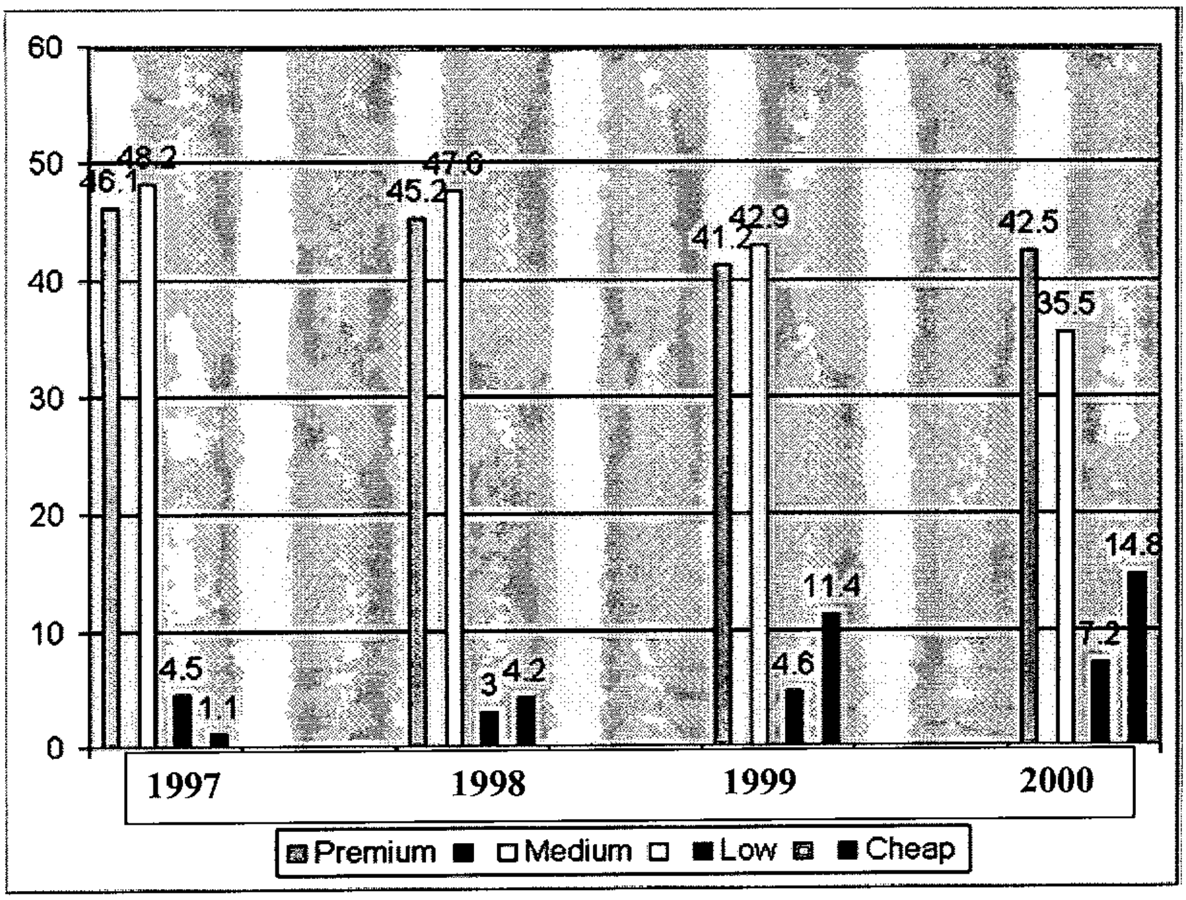


As for the market segments, below is a self explanatory table that tracks from the year 1997 to year 2000 the percentage decrease in the premium and medium price segments, and, conversely, an increase in the low and cheap price segments. This is mainly due to the economic hardship the country is witnessing, during which consumer purchasing power is decreasing.

- Marlboro: 30 %
- Viceroy: 18%
- Lucky Strike: 10%

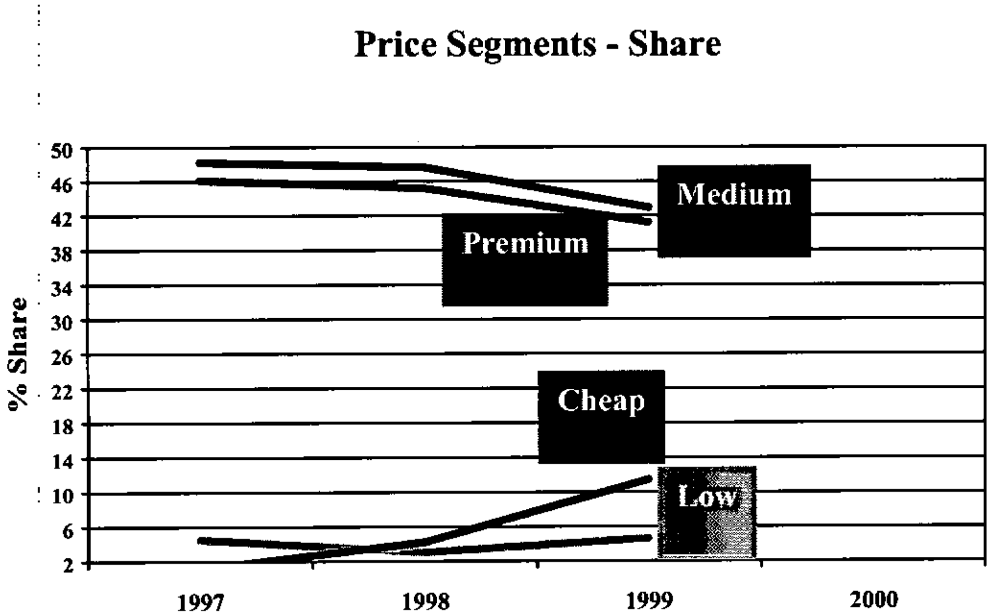
- Philip Morris: 6%(does not exist anymore in the market)
- Marlboro Lights: 5%
- Kent: 3%
- **Cedars: 8%**

PRICE SEGMENTATION %



So it is obvious that there is a drop in the premium and mid segments, while there is a gradual increase in the low and cheap segments. Moreover, the decrease in the mid segment goes at a higher rate from the premium segment, and this is due to the mid segment being more price sensitive than the premium one.

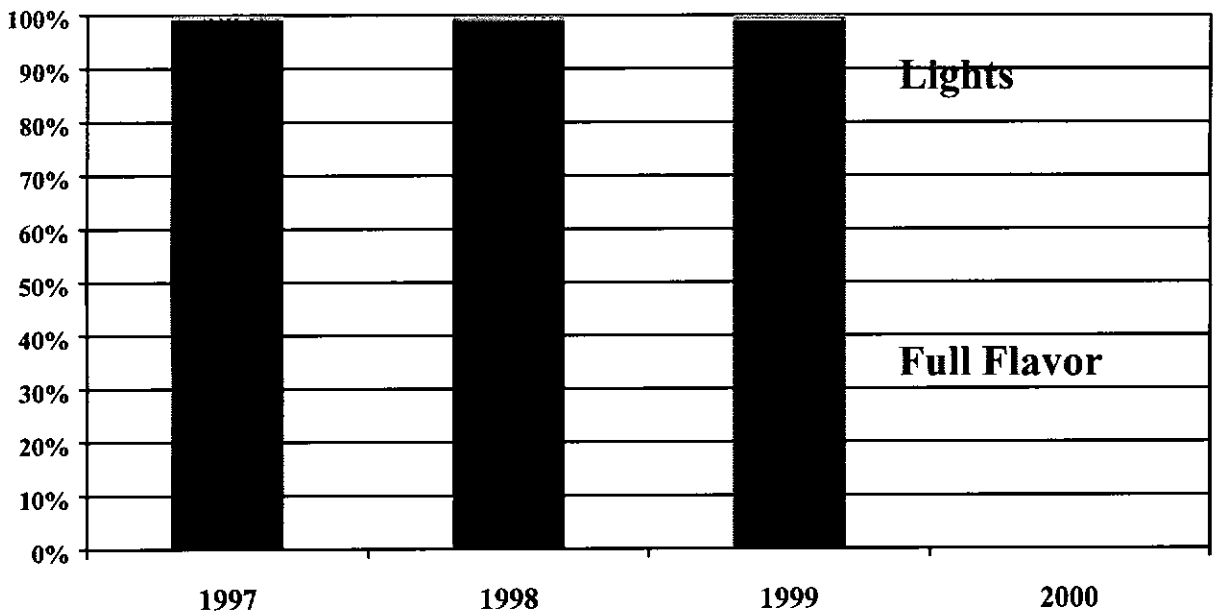
Below, is another graphical representation that demonstrates the change in the price segments and consumer preference.



- Premium segment: 41 %
- Medium segment: 42%
- Low segment: 6%
- **Cheap segment: 11%**

As for the market situation in general, it is important to note that the market is a full Flavor market. The lights segment is still small but growing slowly. As for the super lights segment, it is nearly negligible.

Taste Segments - Share



Regie Libanais des Tabac et Tombac Operation:

As for the Regie Libanais du Tabac et Tombac operation in this industry, it is clear that this institution is the sole body that has the right to import cigarettes in the country. This body imposes some rules and regulations on the exporters and on the market. Below are some facts related to the Regie business:

⇒ The Tobacco laws require foreign manufactures to purchase the Lebanese leaf crop by share of volume of their exports.

⇒ The tobacco is subsidized by the government.

⇒ The Regie gives the exporters complete marketing freedom as long as they place the Lebanese Health Warning on their ATL communication.

In fact, the RLTT has several parties to deal and coordinate with. It is responsible for the following business activities:

- International Business: The RLTT deals with the multinational companies to purchase and fulfill the local market demand for cigarette consumption. The RLTT has the sole right to buy and import cigarettes into the market (this excludes the Duty Free business).

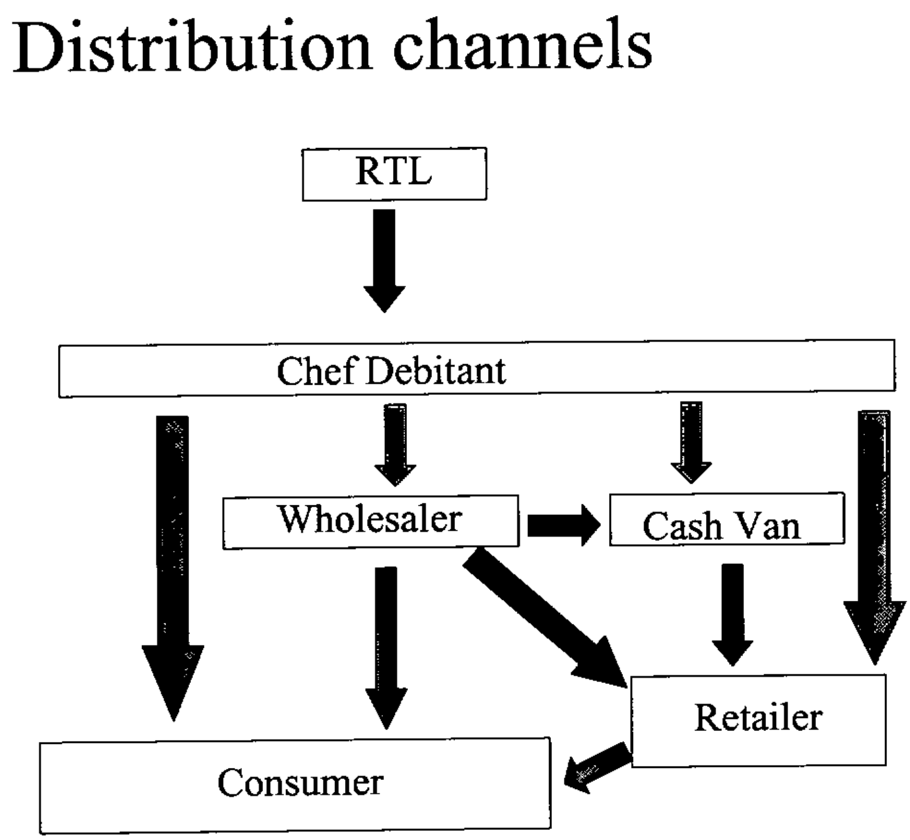
- Local Tobacco Production: The RLTT helps and assists the farmers in their yearly crop growth. In fact, the Lebanese government subsidizes the Tobacco. The RLTT assists the farmers in providing them with the support, the know how for growing tobacco and some chemicals and antecedes to protect the tobacco leaf as it grows. The RLTT buys all the Lebanese produce from farmers, and it converts part of this crop into the manufacturing of the local cigarette brands and offers the rest for sale in the international market. It is worth mentioning that there are some limitations and difficulties in local production because the factory is not well equipped and is not up to date with the latest technologies and international standards.

- Tobacco Sales: As previously mentioned, the RLTT offers a big portion of the local tobacco crops for sale. The RLTT imposes the sale of the Lebanese tobacco crops on the multinationals. The latter has to purchase the leaf crops by share of volume of their exports.

It is important to note that tobacco growth is most prominent in the South and Bekaa regions and a minor industry in the North of Lebanon.

As for the sales/ distribution channel, the RLTT undertakes the sales/volume deals with the manufacturers and sells them to the market through the Chef Debitants. These

Chef Debitants are pre-assigned by the government through a Tobacco sales license tens of years ago. These, in turn, sell back the cigarettes to the wholesalers and then the chain commences until the final consumer is reached. Below is a chart that demonstrates the sales/distribution chain starting from the Regie until it reaches the end user/consumer.

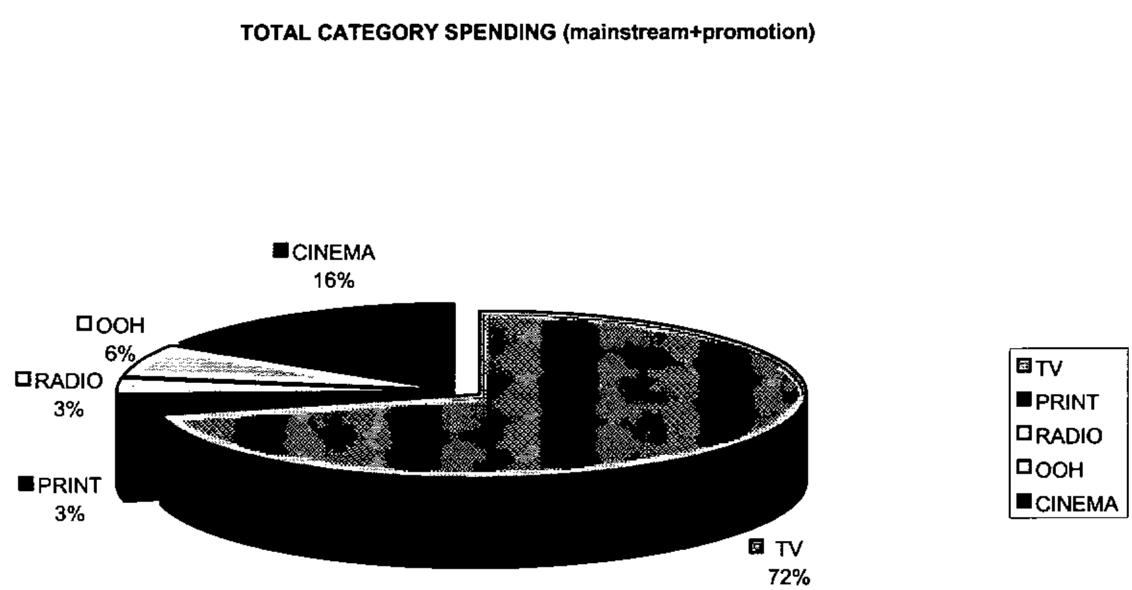


Now, from the above chart, it is easy to tell how the cigarette moves across this entire distribution channel. Therefore, it is now obvious that the Regie can push and exert pressure to sell a brand. Like any business, the Regie can work on a trade sales program and push brands on the expense of others. These definitely need to be within the same company due to the deals and relations with these multinationals. However, since Cedars is a local brand and owned by the Regie, it can easily follow the Push Sales Strategy and offer Cedars over others products to be sold across the channel.

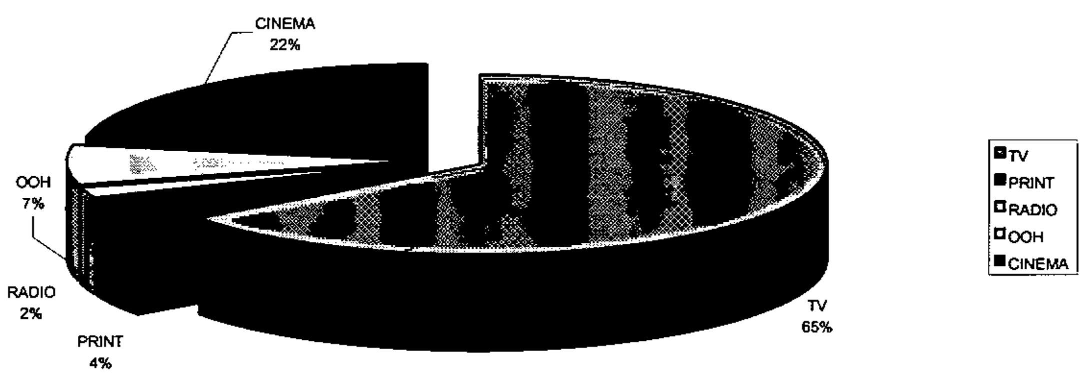
Direct Marketing Expenditures:

The direct marketing expenditures of each company vary from one year to another and from one brand to the other. In fact, these marketing expenditures are directly related to sales and product performance in the marketplace. The expenditures rely a lot on the company policy or whether the company is launching, re-launching, or introducing a new brand to the market.

Below is a set of charts showing the total spending by company, the total category spending, and the spending or budget allocated to individual brands in the year 2000.

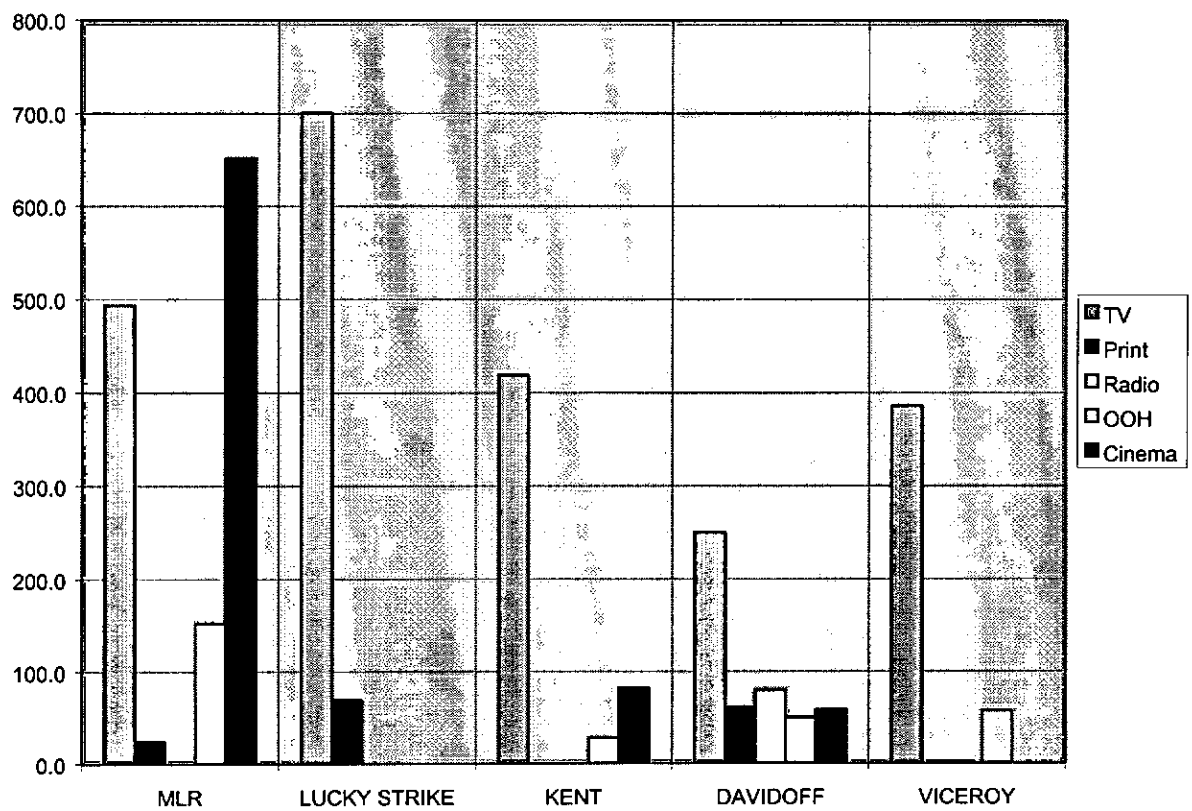


TOTAL CATEGORY SPENDING - MAINSTREAM

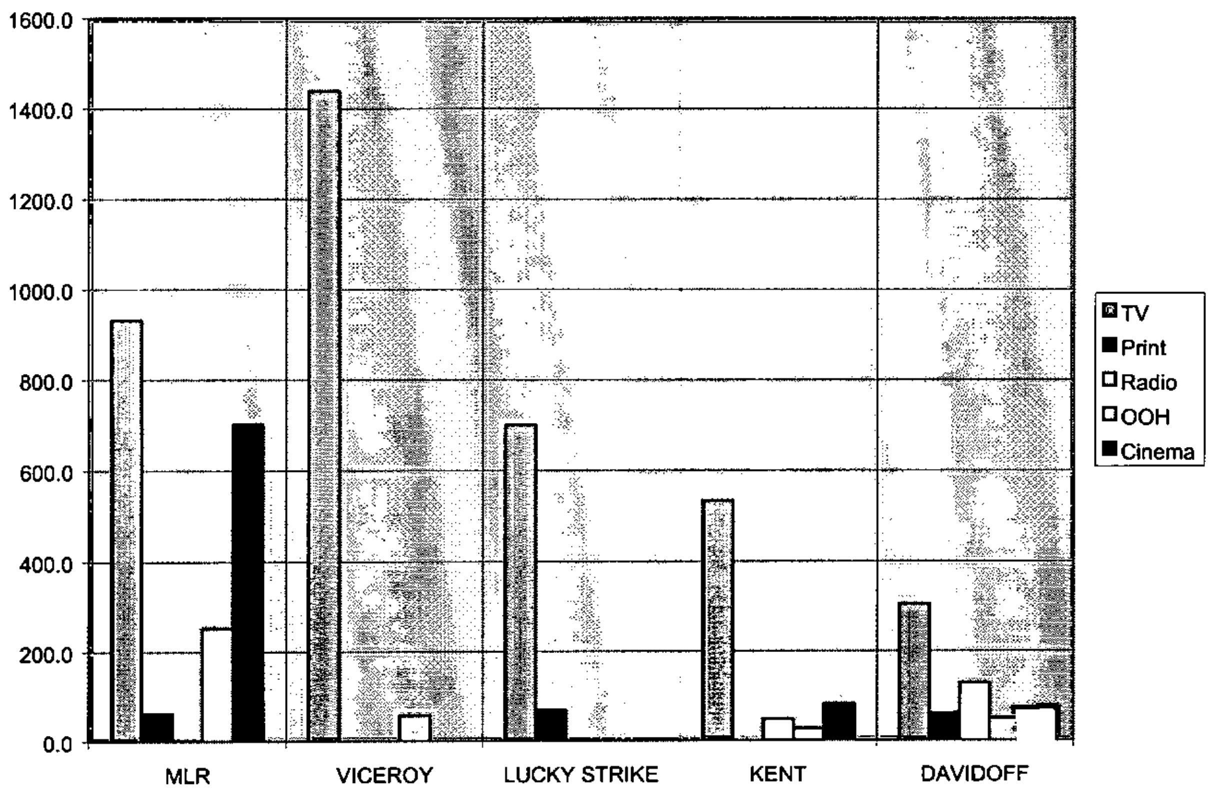


N.B: TV takes the bigger chunk of the expenditures

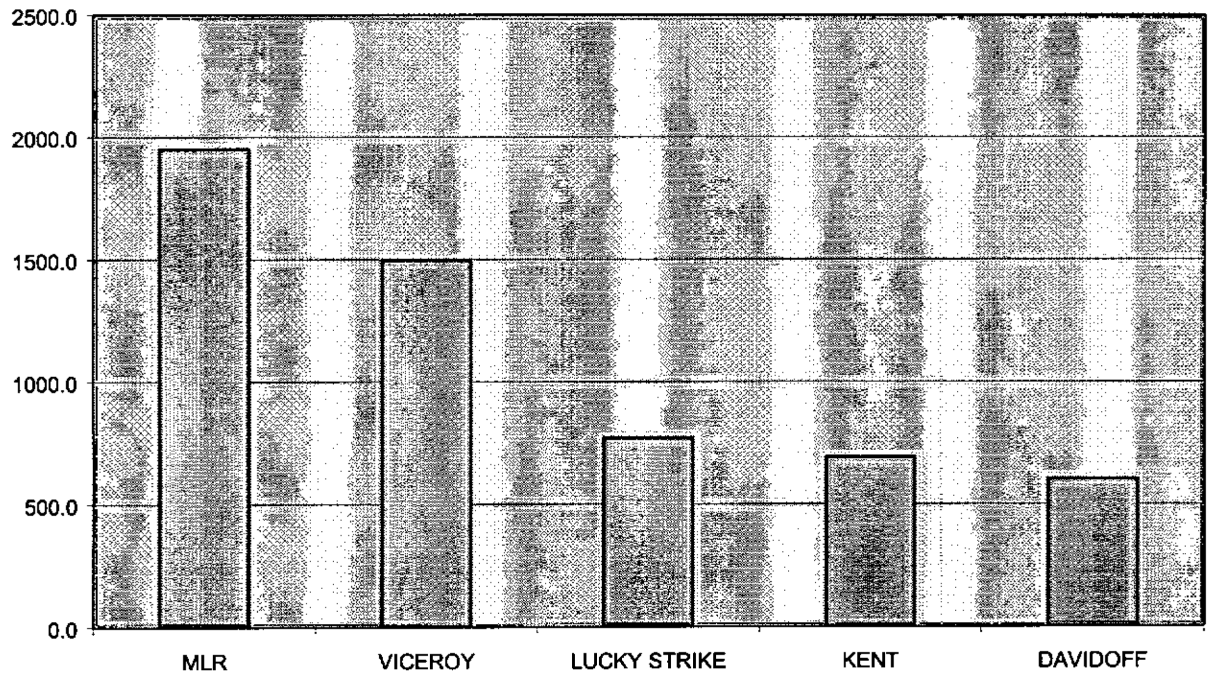
TOP 5 BRANDS SPENDING PER MEDIA - MAINSTREAM

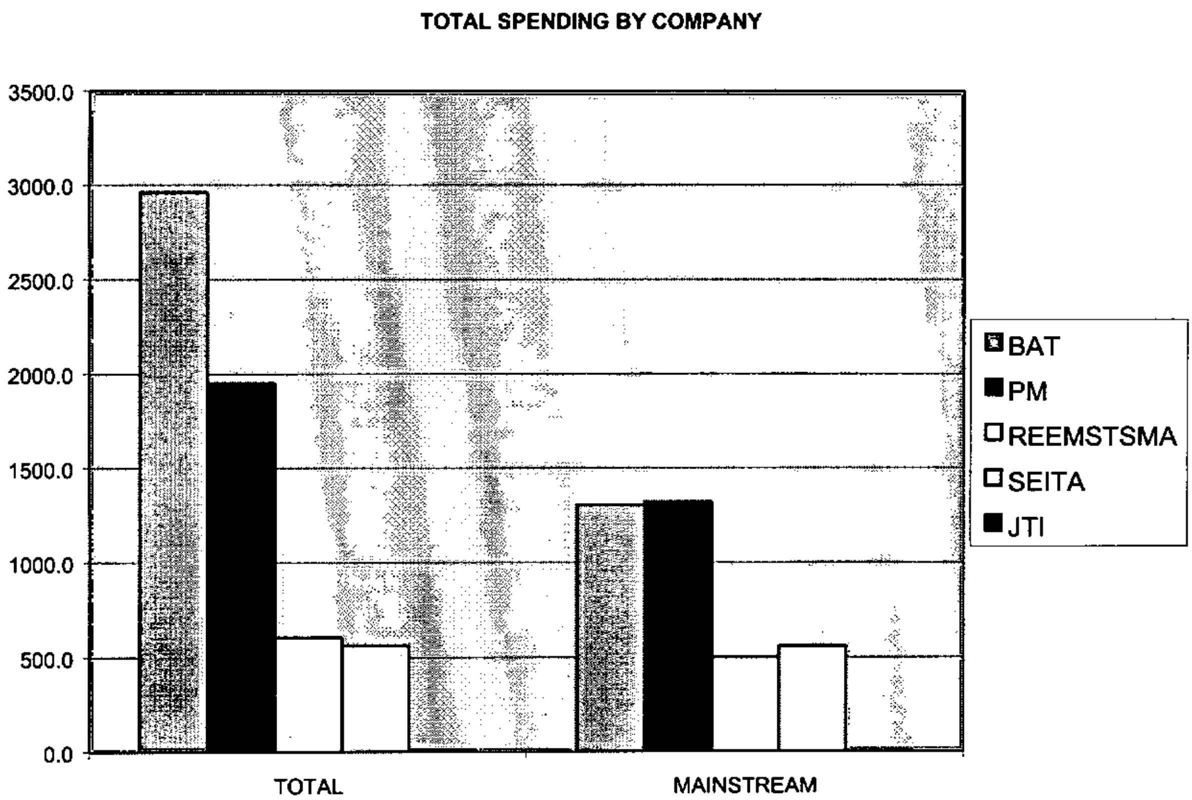


TOP 5 BRANDS SPENDING PER MEDIA (mainstream+promotion)



TOTAL SPENDING BY BRAND




TOTAL SPENDING BY COMPANY
3500.0
3000.0
2500.0
2000.0
1500.0
1000.0
500.0
0.0
TOTAL
MAINSTREAM
BAT
PM
REEMSTSMA
SEITA
JTI

TARGET AUDIENCE

In the first section covered, an overview of the demographics, the media scene, and the industry expenditures were all presented. Now the new section serves to translate and illustrate the preceding information.

In any business, it is essential to select the target audience. In other words, marketers define their target audience's needs and will then react to these needs accordingly. One would channel the message with better accuracy to reach the target audience.

It is not the message that counts, but it is who absorbs the message and how he perceives it. We have identified our target audience in two groups:

a- Primary target audience:

Our primary target audience is comprised of Lebanese consumers in the age bracket 20 – 34 year old. They have a monthly income that varies between 300$ an 800$ and belong to the C or D social class. They are laborers who went to school and can read and write. They smoke Cedars or any other cheap brand (because they are 27% of the population, they are young whereby brand loyalty could be built in the future).

b- Secondary target audience:

These are the foreign people living in the country who come to work, make money and then return back to their homes with a small fortune. They are mainly the Syrian workers. They might also be the foreigners living in the country like the Palestinians. Their purchasing power is weak and their savings are high.

Also, there will be another age bracket 34 years old (potential customers) and above who live in the suburbs. Another segmented group are the buyers who buy the product for their houses to be offered to visitors.

CONSUMER PERCEPTION AND CHOICES

This section provides an in-depth analysis for consumer product/brand perceptions and choices. A questionnaire was designed which will be analyzed in detail to extract some insights that would be of help later on.

QUESTIONNAIRE

The below questionnaire is designed to enable us to identify consumer perceptions and top of mind brand recall. The questions are designed in a way to probe into the consumer's mind for some facts for local production, in general, in an attempt to measure the consumer's confidence in the " Made in Lebanon" products.

After that, the questions probe the consumer's mind further to find out what are the top of mind cigarette brands.

Then the questionnaire takes the respondents into more detailed questions in an effort to discover their brand preferences and try to link them to their purchase decision and taste.

The questionnaire will then try to identify the type of cigarette market. Then it will try to identify whether consumers are aware of local brands (aided recall and awareness).

A more detailed set of questions are designed to retrieve some insights about the local brand itself and to try to identify the like/dislike criteria.

After that, the questionnaire will try to find the advantages the local cigarette has over the foreign ones.

Then the questionnaire will try to obtain some information on the brand trial, price awareness, competitive advantage, and a few insights for brand adoption and trial.

QUESTIONNAIRE SAMPLE:

1-Demographics:

a- AGE ☐

b- Income Level:
- Less than 200 USD ☐
- 200 $ - 300 $ ☐
- 301 $ - 400 $ ☐
- 401 $ - 500 $ ☐
- 501 $ - 600 $ ☐
- 601 $ - 700 $ ☐
- 701 $ - 800$ ☐
- 801$ and above ☐

c- Gender: ☐ d- Job/Type: ☐ e- Region: ☐

2- If you want to buy quality consumer products they have to be foreign:

Agree: ☐ Somewhat Agree: ☐ Somewhat Disagree: ☐ Disagree: ☐

3- I think anything produced locally tends to be low quality:

Agree: ☐ Somewhat Agree: ☐ Somewhat Disagree: ☐ Disagree: ☐

4- What brands of cigarettes are you familiar with:

Name 4 brands: ____________
____
____
____

5- What brand do you smoke? Why ? ____________________

a- I like the flavor: ☐ b- Affordable: ☐ c- Price: ☐ d- Image: ☐

e- Quality: ☐ f- Others: ____________________

6- What type of Flavor do you smoke? ______________

a- Full Flavor: ☐ Lights: ☐ Super Lights: ☐

7- Name some Lebanese cigarette brands you know:

1-____________________
2-____________________
3-____________________
4-____________________

8- Have you ever Smoked one? Which? ________________________

9- Are you satisfied with it: Yes: ☐ No: ☐ WHY: ________________________

10- What is the reason to switch to another brand? ______________________________

11- What do you think are the main advantages (if any) the local cigarettes have over foreign produced ones?

a- More Affordable: ☐ b- Higher Quality: ☐ c- Falvor/Taste: ☐

d- Packaging: ☐ e- None: ☐

12- Have you heard of Cedars?

Yes: ☐ No: ☐

13- Have you tried it?

Yes: ☐ No: ☐ If yes, did you like it? Why? ______________________

11- Do you know the price of Cedars pack?

a- 500 L.L.: ☐ b- 750 L.L: ☐ c- 1,000 L.L: ☐ d- 1,250 L.L: ☐

e- Don't know: ☐

12- What would be the criteria for you to smoke the brand?

____

QUESTIONNAIRE RESULTS

Objective: Identify consumer perception about the local cigarette and measure the level of awareness of Cedars.

Sample Size:

- 100 smoker respondents.

Sample Structure:

- Age between 20 – 55
- Region: East Beirut, West Beirut, Mount Lebanon

Results:

- Demographics:
    - 60% of the respondents are within the 200 – 800 USD monthly income.
    - The low-income bracket has tried the brand, Cedars, and adopted it.
    - As the respondents are skewed to older age, several local brands become more familiar to them.
    - Younger people tends to smoke the brands whereby they can associate with the image it proposes.
    - Cedars is being smoked by the older people (Males & Females).
        - ⇒ *The brand has a high awareness among the low-income people.*
        - ⇒ *The brand needs a self-identity whereby the young would associate to it.*

- Apparently, there is a confidence in the local products, as consumers believe that not all imported products are of good quality. In fact, 53.33% did not agree whereas 46.67% somewhat agreed that imported products are of good quality. Here we see the majority does not believe that the imported products are of good quality. However, this does not mean that they believe in the local product if they do not trust the imported ones until it is proven the opposite when they were asked if they believe that the local product is of low quality. So, **46.66%** completely disagreed that the Lebanese products are of low quality and **26.66%** somewhat disagreed where only 26.66% somewhat agreed (so 73.32% believes in the local product).

    ⇒ *There is no problem of perception in the locally manufactured products.*

- Finishing the local production perception in the consumer mind, we moved to measure the top of mind cigarettes brand awareness. Few of the sample named **Cedars.** It is obvious that the brands named in the questionnaire, were the heavy advertisers like Marlboro, Winston, Viceroy, Gauloises etc… .

    ⇒ *There is very low Top-of-Mind brand recall. Cedars has to establish its own presence and identity through advertising.*

- When asked about the brand the respondents smoke, 73.33% smoke their own brand because of its Flavor and 26.66% because of its price combined with other criteria like Flavor.

    ⇒ *Price could be good criteria for the consumer brand selection.*

- 80 % of the respondents smoke Full Flavor and 13% smoke light cigarettes. This support the chart shown before that the market is a full flavor market with a gradual increase in the light segment.

⇒ *The market is a Full Flavor market.*

- When respondents asked to name some local cigarette brands they know, **86.66%** named **CEDARS** and 60% of the respondents named at least 2 more brands like Bafra and Tatleh (these brands do not exist anymore in the market).

⇒ *In aided recall, Cedars has a good share of awareness in the mind of consumers and this goes to its market presence for so many years.*

- When asked respondents if they have tried the brand, only few people have tried the brand. 50% of those who have tried it smoked it and the rest did not like it due to taste/flavor. However, those who smoke it, they do because they like its strong taste and its price.

⇒ *Price is a good reason to stick to a brand.*

- When asked about the advantages the local cigarette has on imported ones, respondents answered:

- 20 % believes that it is more affordable.
- 13.33 % believes it is of higher quality.
- 46.66 % believes that the local brands do not have any advantages over imported ones.

- o 20 % believes of its Taste/Flavor.
- o 0 % for the packaging.

⇒ *Nearly 50% of the respondents do not believe in the local cigarette. Whereas, some believe of its cheaper price and of its good taste. Thus, Flavor and taste are once again in favor of the local brand.*

- When asked respondents if they have heard of Cedars, 93.33 % of the respondents said Yes.

⇒ *Once again Cedars is known in the market.*

- 50% of those who have tried the brand did not like it due to its strong taste.

⇒ *Taste is another good criteria for smoking the brand. Cedars has to offer an alternative (maybe line extension into lights).*

- When asked about the price, the following results were achieved:

- o 46.66 % did not know the price.
- o 41.66 % knew the exact price
- o 20% under priced the brand.

⇒ *No clear price awareness of Cedars.*

- When asked respondents about the criteria to smoke Cedars, 68% would go for the Taste/flavor, 19% for Brand Image, and the rest for price.

⇒ *Taste & Flavor are important criteria that influence the decision to adopt any brand. Of course, the image is another criteria that could also influence consumers.*

" The product should fulfill the need first".

In one of the general consumer surveys that was done on consumers and their smoking habits in 1999, it was shown that heavy smokers are within the higher age bracket.

	Smokers (mio)	**Units(bio)**	**Units (%)**
Male	**0.5**	**4.8**	**65%**
Female	**0.4**	**2.7**	**36%**
18-24	**0.1**	**1.0**	**13%**
25-34	**0.3**	**2.2**	**29%**
35-44	**0.2**	**1.9**	**25%**
45-64	**0.3**	**2.5**	**33%**
Total	**0.9**	**7.4**	**100%**

General Consumer survey 1999

Even though the Cedars brand is well known among the older age bracket, the latter is the heaviest in cigarette consumption among all age bracket (33%).

MARKETING STRATEGY

SWOT ANALYSIS OF CEDARS

The SWOT analysis will enable us in this research to identify the strength, weaknesses, opportunities, and threats of the Cedars brand. This is a beneficiary tool that sets the broad lines for the plan. Thus, we will build on the strong points and will use the opportunities as spring boards for future profitable business ventures.

SWOT

Strengths	Weaknessess
⇒ Strong brand name and heritage ⇒ Locally manufactured/Fresh cigarette ⇒ Low price ⇒ Supported by the government	⇒ No marketing support ⇒ Absence of brand image(poor local image) ⇒ Low quality packaging ⇒ Limited product line (absence of line extension).
Opportunities	**Threats**
⇒ Establish foothold in its segment ⇒ Gain more market share from down switchers ⇒ Venture in other markets like Syria (export) ⇒ Merger deal of the Local factory with PM or BAT.	⇒ Local production problem ⇒ Not Enough market supply ⇒ Competition with unauthorized brands like (Business Club & Wenchester).

CONCEPT AND BRAND POSITIONING

We need to understand that the benefits sought by most consumers are subjective, and go a stage or two beyond the product's literal function. For example, people who buy toothpaste actually want confidence and security that their teeth won't fall out, that their breath won't smell. What is really on sale is an abstraction and in all these cases, it will come from the brand, rather than the product. Thus, the transformation that takes place is not merely an intensification of the experience, but an import of ideas, which translate the simple function of the product into a relevant emotional metaphor.

Therefore, in such a competitive and cluttered market, the brand needs to establish its own identity and personality in the minds of consumers. So consumers would relate to those physiological and psychological benefits that the product offers.

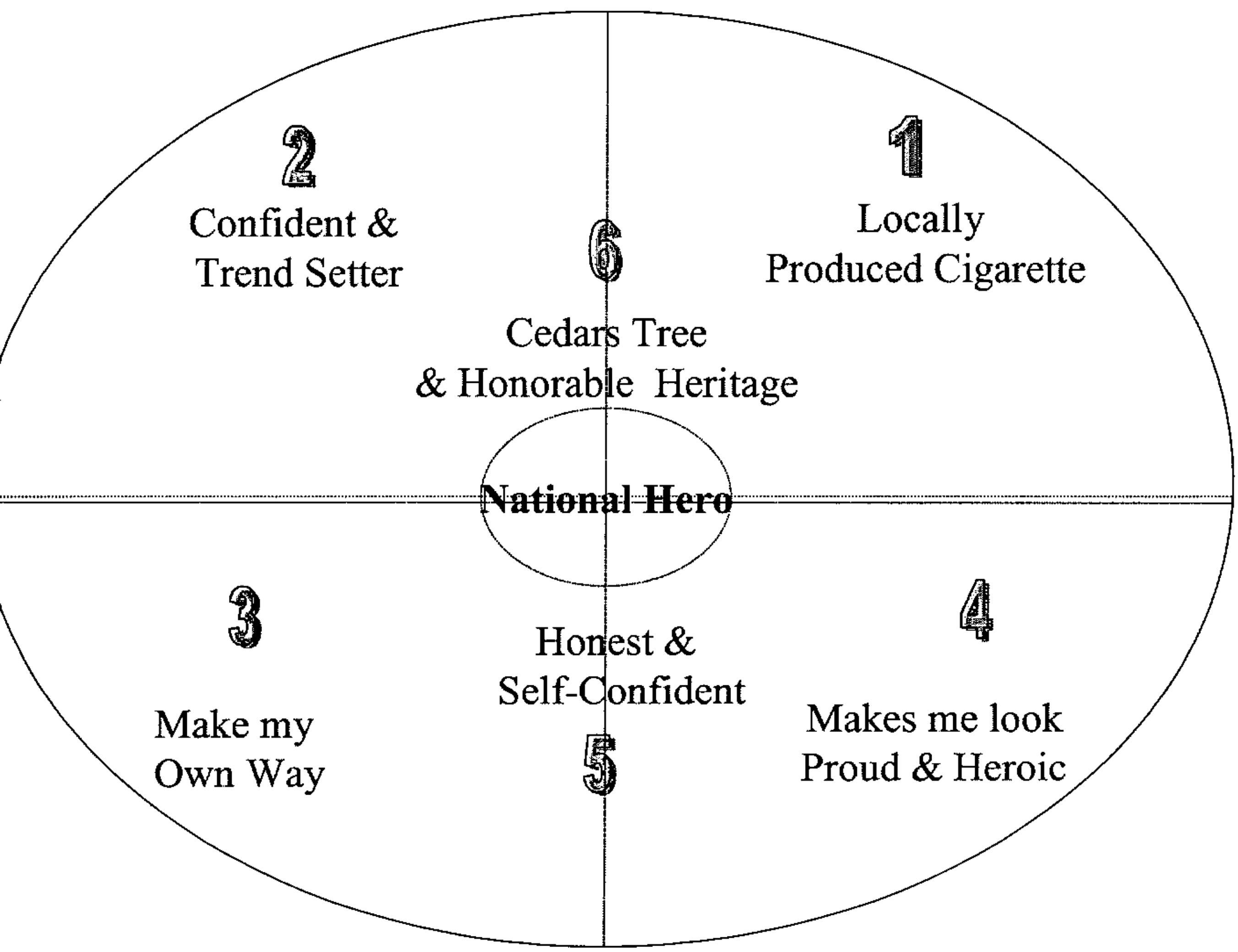
Consumers, as Stephen King pointed out, can easily be encouraged to talk about brands in terms of human analogy – a technique still widely used, both qualitatively and quantitatively. What this really means is that consumers feel different relationships to different brands, depending on the type of subjective needs, which the brands do or do not satisfy. Sometimes different brands appeal to different personality types, sometimes they fulfill complementary needs for the same person. In this way functionally similar products can remain competitive on grounds other than simple price.

To sum up, a brand is fundamentally a promise, rendered credible by law and by experience. At one level this simply makes the decision process easier; at a higher level it can actually add to consumers' beneficial experience of a product, thus creating a value for which people may be prepared to pay. So the way in which the experience is transformed can be very particular to the brand, thus creating differentiation between similar products and the metaphor personality (i.e. the distinctive personality that the product offers in the mind of the consumer).

Consequently, Cedars, the well known brand, with established roots in the market, needs to wear out its cheap image. The challenge is big due to the fact that the brand awareness is strong but with a cheap product perception.

In fact, there should be a translation of the physical brand benefits and advantages into collective consumer emotional metaphors.

CEDARS BRAND ESSENCE



The above descriptions are generated from the below set of questions:

1. *How would I describe the product?*
2. *What does the product do for me?*
3. *How does the brand make me look?*
4. *How does the brand make me feel?*
5. *How do I describe the brand (brand personality)?*
6. *Some facts & symbols that stand for the brand.*

Thus, the above CEDARS Brand Essence wheel demonstrates a universal strong belief that answers the human presence in a world full of vanity. The National Hero is a dream that human beings aspire to.

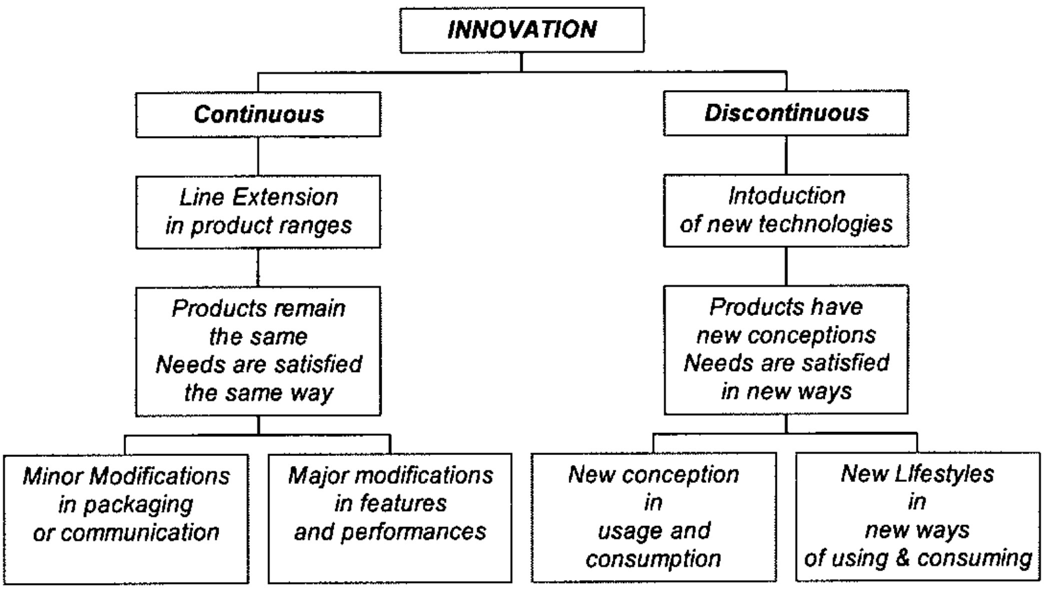
Every individual needs and requires the sense of belonging (Maslow's Pyramid of Human Needs).This ultimate belonging theme is either to belong to a minor or major group with a self defined status or identity.

So our concept would define this self-identity and raise the national pride in each and every individual of our target audience. Thus, new lifestyles and consumption patterns are established. Cedars is no more perceived as cheap, but perceived as THE BRAND THAT TURNS ME INTO A NATIONAL HERO.

Mr C.Khadij, sets two directions for product innovation (see chart on next page). We cannot say that we have product innovation but rather a revamped product and image. The consumption habit could stay the same, but the lifestyle of our adopters becomes different. Smokers will aspire to the dream of the National Hero. Consumers are no more shy to carry the brand but will proudly offer colleagues a Cedars cigarette.

The chart clearly shows how continuous innovation affects the brand and in what ways modifications could be added to the product.

The degree of Innovation…



STRATEGY

The objective will be to establish a foothold in the Cheap segment and gain Leadership within the segment.

1- Re-positioning Strategy: As discussed before, the main objective is to upgrade the brand image of Cedars. This will definitely be done through the marketing mix.

⇒ Brand Name: Capitalize on the brand name and heritage.

⇒ Product: Offer a better quality product to consumers and revamp the packaging.

⇒ Pricing: Capitalize on the Cedar price and its competitive advantage.

⇒ Distribution: Follow the push Strategy across the distribution channel and ensure 100% retail coverage. Adopt the "Ride-on Strategy".

2- Communication Strategy: The strategy adopted in the communication is for both the ATL & the BTL.

ATL:

⇒ Heavy campaign in the major mediums communicating the core values of the brand.

⇒ Support tactical promotions.

BTL:

⇒ Run image related promotion **" Week-end at the Cedars".**

⇒ Build PR stories on " Let us re-plant the Cedars"

The above will be discussed thoroughly in the coming sections.

BRAND NAME AND HERITAGE

A Brand takes its full signification when its meaning is perceived by the consumer. What the brand means to the consumer may not be what the manufacturer would like, so it makes sense to plan the nature of that contact. That is fine for a new product, but much more difficult for an existing brand that needs a change of direction.

Brands have life cycles; they have personalities. They can live long as long as we take care of them.

A brand may have a Personality, but it is not a person. One cannot talk to it and it cannot answer back. In fact, a brand has no absolute or objective existence nor are its core values written on a tablet of stone in a common place. A brand is simply a collection of perceptions in the mind of the consumer (Understanding Brands p. 21).

According to an article in the Advertising Age issue dated March 12, 2001, brands are described as not being our new Gods, but more like a best friend. We trust, like, and respect our best friends. We probably even admire them in many ways. We pick them to spend time with over any of the other friends on offer. But if they let us down, if we find that they've behaved in a way we deem unacceptable, then that friendship can be over. We get a new best friend. That's the reality for brands today. No brand is a God, and if they start behaving like one, they'll find that out pretty quickly that they are not.

The brand name is "the hook that hangs the brand on the product ladder in the prospect's mind". In the positioning era, the single most important marketing decision one makes is what to name the product. (Positioning p. 71).

In a physical sense, the name is like a point of a knife. It opens up the mind to let the message penetrate. With the right name, the product fills a niche in the mind and stays there (positioning. 103).

Cedars, a name that depicts the Lebanese long lasting heritage across the ages cannot but portray a strong name in the market. The name reminds people of the distinctive Lebanese feature that has from the entire world. The two syllables name is easy to pronounce, is simple and reminds you of your Lebanese origin.

The Lebanese origin plays a double meaning. A first meaning that is addressed to the Lebanese consumers. Thus, the name would ring a bell and remind them of their origin and their honor of being Lebanese. As for the other meaning, it is addressed to the secondary target audience who aspire for being Lebanese in their traditions and ways of living if they were Syrians or Palestinians.

The Cedars brand name is a strong name. It was mentioned thousands of years ago in the holy bible and in history books. So the name has a high sense of **authority** in the mind of consumers.

Thus, being in the market for quite some time, Cedars, the brand name, is well known in the marketplace. Consumers know that this is a locally manufactured brand with a perception of being cheap and of low quality. This perception could be because there is no awareness that Lebanon produces good quality tobacco. Therefore, some efforts should be put for releasing a lot of PR stories for the press talking about the Tobacco growth and the quality of the leaf. This will indirectly strengthen the Cedars name among the consumers in the marketplace.

If the brand's heritage returns, the consumer's confidence can be transferred to the new positioning without loss of face, giving renewed energy to the life force of the brand. So the challenge in the Cedars brand is to retain the consumer interest.

In fact, and based on the research output, we will reinforce and capitalize on the brand name, reputation and heritage and build on it in the minds of the consumers. Cedars will still remain as the **Local Lebanese cigarette yet with a different image**.

PRODUCT:

Back in the days when ranchers branded their cattle – one of the earliest and most rudimentary forms of brand packaging – the message was **hands off** (i.e. means keep away). Now the message to consumers from branded goods is **hands on** (i.e. invites consumers to take the brand), and the more the better. But there are ways of having a dialogue with the consumer through the message and impact of the pack. Thus, more and more marketers are discovering that there is a commercial advantage to be gained if the pack does more than simply remind people that " I'm here". Ideally it should project a personality, instill loyalty, forge emotional links, and actively persuade people to **"buy me"** (Understanding brands p. 137).

Packaging design has become active. It has emerged from obscurity to become a potent marketing vehicle and a rewarding advertising medium.

The issues of good brand packaging go right to the heart of commercial performance, because the pack is the physical embodiment of a brand's core values. The pack evokes the essence of what the brand is all about. It represents the brand's identity.

Just as people "brand" themselves through their personal packaging to signify a sense of personality, or identify with a particular group, so brands can be designed to communicate certain cultural values to enable the consumer to "belong". The brand becomes an extension of ourselves. We are what we buy.

Therefore, the most fundamental aspect of good brand packaging relates to establishing character or personality, building the elements which make the brand recognizable, visible and individual – packaging which says "Trust me, buy me, I am for you".

A dialogue with the consumer via the pack is persuasive marketing. Talking packs intrigue, inform, involve, entertain, and persuade. They engage the consumer at the point for a few valuable moments – time to make a sale. They can beckon the prospect down the aisle, or stop one dead in his tracks. Either way, they have our attention.

However, good brands are far more than a salesman. It is also a flag of recognition and a symbol of values. To understand this complex role it is crucial that a brand is defined. The product is the physical property that is purchased. The brand in the aura of beliefs and expectations about the product make it relevant and distinctive. It stretches beyond the physical into the psychological, and is extremely powerful.

One of the key roles of brand packaging is to assist in the process of selection of goods. Ten years ago the typical supermarket was a noisy place, as brands tried to "out- shout" each other. Wall-to-Wall panels and logos screamed for attention, aggressive colors flashed out signals. Manufactures established their brand values primarily through TV and poster advertising, and used their packs merely as a visual trigger for advertising message.

Let us examine what gives a good packaging its edge? The objectives are many:

⇒ It must flag down the prospect in mass display.
⇒ Involve on an emotional level, strike a chord and touch a nerve.
⇒ Symbolize the brand's core proposition and differentiate it from the competition.
⇒ Project the brand personality.
⇒ Persuade and seduce.
⇒ Provide a functional cover for the product in transit and in the home (Understanding brands p. 139).

In the delicate business in repositioning brands, the packaging is frequently more important than the advertising because it forcefully defines the new frame through which one want the consumer to see the brand. In this context, active packaging gives the marketing process broader options.

In fact, radical repositioning is not for the faint-hearted. Brands have a natural life cycle. Products and images can be locked forever in time wraps. Our nostalgic affection for them too often becomes as obstacle in the relevance to today stakes. As lifestyles and behavioral patterns change, many brands will need reassessment; else they will be in danger of dying with their market.

In an attempt to be all things to all people, many brands lose their focus and many packs lose their impact. A good brand pack must be single-minded and able to eyeball with the consumer. The pack has a very short time-slot on the shelf, and its message must be concise.

In fact, three factors contribute to packaging overload. One is a lack of understanding of pace, i.e. how the consumer moves towards the pack through the store. Being on the shelf and viewed from different angles is different from being in a pack dispenser where only the facing is exposed. Second is the amount of information put on the packaging, i.e too many messages to be delivered at one time. Third, it is simply the proliferation of information that the consumer has come to expect in respect of the product and its use.

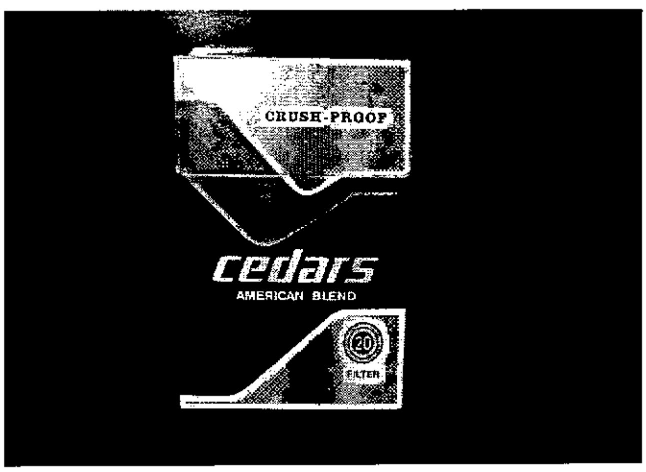
Cedars, with the 3 colors (white, light blue, dark blue) relieves the eyes of the prospects. The white color gives the pack a classy look but could be dangerous if treated with a cheap packaging especially if the pack was a soft pack (case of Cedars). This is simply because the paper pack is too flexible and looses the straight shape when put in the consumer pockets.

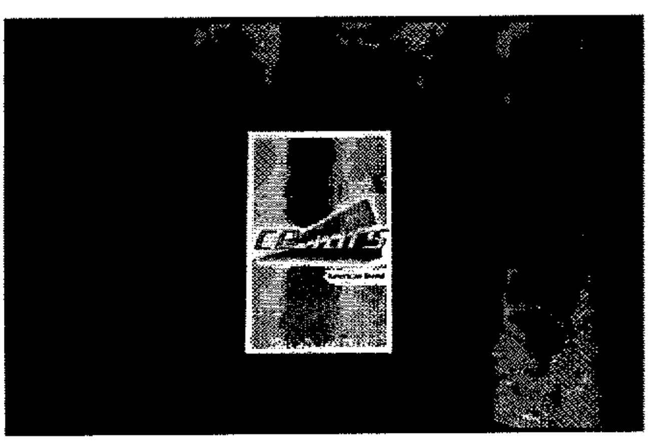
Consequently, the pack with its light and homogenous color combination backs up the hidden idea of the product's Freshness. However, there is no doubt that the quality of the packaging is low. Therefore, the challenge lies in enhancing the final output with some color code modifications. This will assist in changing the perception of the low quality cigarette.

However, its treatment requires some care in a way not to over-package the brand. In other words, the redesign should be treated in a way to keep and preserve the brand in the cheap segment; otherwise, the target audience would really be afraid of consuming the brand if it looks as a Premium.

So the new design will then have the Silver replacing the white in the background. The silver color gives the pack more value than the white one. Then the two blue semi-triangular shapes folded over each other in a form or symbol of an aged Cedar tree are placed on the silver background. Then the Cedars brand name is written in GOLD with independent block letters that reflects the solid ***Cedar tree*** and its high value.

NEW PRODUCT PACKAGING





PRICING:

In the narrowest sense, price is the amount of money charged for a product or service. More broadly, price is the sum of all values that consumers exchange for the benefits of having, or using of all the values and benefits of having or using the product or service (Principles of Marketing p.340).

In the past, buyers and sellers usually set prices as they bargained with each other. They would arrive at an acceptable price that suits both parties. However, nowadays most sellers set one price for all buyers. The idea was helped along by the development of large scale retailing during the past decades.

Price has been the major factor affecting a buyer's choice. This is still true in poor nations and with commodity products. In fact, price is the only element in the marketing that produces revenues; all other elements represent costs or in other terms investments. It is also the most flexible element of the marketing mix. It is unlike the product features and channel of distributions, price can be changed quickly. At the same time, pricing and price competition is the number-one problem that faces the marketers and executives of the world (Principles of Marketing p.340).

It is true that pricing is easy and flexible yet any bad planned pricing strategy will definitely kill the brand. Some of the common mistakes in pricing are that:

⇒ Pricing is too much based on cost calculations.

⇒ Prices are not revised often enough to reflect market changes.

⇒ Pricing does not often take the rest of the marketing mix into account.

⇒ Prices are not varied enough for different products, segments, and purchased occasions.

However, from Cedars point of view, the price will still be 500 L.L. The Cedars brand will maintain its price, which is amongst the cheapest in the market. There is no need to increase the price so that to match the new re-positioning, but rather vice versa. The brand shall remain the ***local brand with a distinct image at a competitive and affordable price.***

DISTRIBUTION / ROUTE TO MARKET

Most producers use intermediaries to bring their products to market. They try to forge a distribution channel – a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user. (Introduction to Marketing p.389).

The distribution channel moves goods from producers to consumers. It overcomes the major time, place, and possession gaps that separate goods and services from those who would use them. In fact, the members involved in the distribution channel may perform and assist the producers in several functions:

- Information: Gathering and distributing marketing research and intelligence information about the environment and customers.
- Promotion: Develop and spread product persuasive communication or offers.
- Contact: A platform/medium for finding and communicating with prospect buyers.
- Physical distribution: Transporting, storing goods and offering them to the final consumer.
- Risk Taking: They take risk by buying goods that may not be sold.

Any distribution channel can be described by the number of channel levels involved. The channel related to cigarettes can vary in different levels starting from one level to four or five even.

However, as mentioned earlier, the first level of distribution is restricted to the **Chef Debutants** who by law have the right to buy cigarettes and channel them back and sell them to the sub-wholesalers until they get to the end consumer.

In fact, the advantage for Cedars being owned by the government is that it can exert pressure on the wholesalers and push the Cedars brand. This could be easily done when it offers Cedars with the sale of **brand horses** (i.e. Fast selling brands like Marlboro). So instead, of selling fifty cartons of Marlboro, forty cartons of Viceroy and ten cartons of L&M, for a fixed amount of money, the RLTT can easily give a sales discount on the above when the trade purchases seven cartons of Cedars.

This would allow the wholesalers to make more money from the overall discount they get, and would entice them to sell Cedars to release the stock and get another incentive on their repeat purchase.

Licensed Direct Distribution: In an attempt to ensure wider and effective distribution coverage, we would form an alliance deal with an FMCG distribution company. By this, the RLTT will benefit from the low cost involved as the distribution channel is already established. Of course a special deal will be agreed upon between the RLTT and the distribution company.

COMMUNICATION STRATEGY

As communicated previously, the new strategy to be adopted in the communication is for both the ATL & the BTL. For the ATL, the following strategies will be adopted:

⇒ Heavy campaign in the major mediums communicating the core values of the brand.
⇒ Support tactical promotions.

ATL

As a matter of fact, in the introductory stage of a product or re-positioning, the ATL is essential. It brings and translates the product offerings to consumers easily. The ATL communication builds the image of the brand mainly through TV.

Below is a list of the pros and cons of TV in Lebanon and what it offers for advertisers:

+ Most affordable entertainment tool - Economic hardship
+ Penetration above 97% of households
+ Participation, solo, break I/O spots
+ Liberal regulations: Alcohol/cigarette advertising allowed
+ Most stations privately-owned: improvement in programming
+ Discount driven: better deals in recession
+ Good Targeting: viewing program-driven, all types/languages
+ Accountability: people meter technology.

Yet, the TV still has some disadvantages as it is a:

- High Clutter: no rebates but incentive (extra free airtime)
- Migration to pirated cable: but remains a non-option
- **High cost of entry**

However, like any other thing in life, everything has a price. It will be of great help if we can produce a good TV commercial for 150,000 USD and air it heavily across the TV stations for 700,000 USD in the country (yearly budget). However, due to budget constraints, we will not use the TV medium for the re-launch stage but rather capitalize on the cheaper mediums for the new product offering.

As for the Cinema, it is also a good and cost efficient medium for advertisers, especially that we can target our consumers per theater and per film. Below are the cinema offerings:

+ Targeting opportunities: buying by movie
+ Latest movie releases, highly promoted (multimedia)
+ Low cost of entry

But still it is a:

- Very slow reach builder
- Poorly researched
- Spots placed before movie: positioning is key

Since we do not have a good TV commercial for the facts mentioned previously, it is not worth producing a cinema commercial for budget constraints.

As for the Newspapers, these will remain our focus for advertising during the re-launch stage. The medium is highly competitive and allows a lot of flexibility on the creative side. (i.e. it does not take a lot of time for the creative people to create an ad for one purpose or another). Below are some facts about this medium and what it can offer:

+ Lebanese addicted to politics: key source of information
+ Targeting opportunities: different profiles
+ 5 newspapers capture 90%+ of readership
+ Strong heritage and know-how
+ Consistent/transparent selling policy

However, the newspapers have their own disadvantages like :

- Efficient only with males 25-54
- No flexibility for creative media buying
- Poor color re-production quality
- Claimed circulation largely over-stated
- Limited research

So, in the re-launch phase, we will use the print medium heavily with a **Pack Focused** campaign. We will try to use colored pages in major newspapers like:

- ❖ Al Anwar
- ❖ Al Safir
- ❖ Al Diyar
- ❖ Al Waseet

Also, the Weeklies will be one of our selected advertising mediums with a pack focused campaign at this early stage. The weeklies have:

+ High penetration of 4-5 mass appealing titles
+ High reach and longer shelf life than newspapers

But the weeklies are:
- Category slowly dying out to monthlies
- Inefficient against upscale target groups

The weeklies could consist of:
- ❖ Ousbouh Al Arabi
- ❖ Nadine & Shabaka

Consequently, we cannot neglect the importance the Monthlies have and what they secure for the product and its advertising, as they offer:

+ Niche upscale targeting opportunities
+ High variety of specialized titles
+ High re-production standards
+ High pass-on readership
+ High flexibility for creative media buying
+ Discount driven environment

Yet, these have:

- High ad clutter
- Limited reach build-up
- Limited research

A sample of the selected monthlies with a profile that fits our target audience could be:

- Al Jeish
- Al AMEN
- Other Arabic titles.

We will be using the Pack Focused campaign for the re-launch stage.

As for the Radio, it is a very effective and cheap medium. In fact, consumers listen to radio as they drive, at work and in the restaurants. The Radio offers:

+ 99% radio usage, all classes
+ Peak hours clearly trended
+ High frequency / low cost
+ Flexibility for creative media buying
+ Efficient against youngsters, adult males & housewives
+ Works strongly with OOH

However, it has:

- High clutter/zapping
- Low program loyalty among most segments
- Low reach build-up (too fragmented)

Our communication needs to be **out-of-the-box** (different from the cigarette category) so that we attract the listeners especially with all the clutter we currently have. The radio spot will run in parallel with the mediums we are using to build the ladder for the pyramid inside the consumer mind. The radio spot shall stress the Lebanese heritage and its long lasting culture and relate it in a way or another to the brand. We will capitalize on the Arabic stations with some interrupters on the western stations that target young people:

- Sawt Loubnan
- Loubnan Al Hor
- Sawt Al Ghad
- Sawt Al Fann
- Sawt Al Mousika

The last ATL medium that will be used is the Out-Of-Home (OOH); these are the 4x3 billboards, unipoles, moving buses, bus shelters. This is a very important medium as it is getting more and more appreciated by advertisers. It has a very wide reach as consumers are exposed to the ad several times. The OOH offers:

+ Population on the move: Economy service-driven
+ High penetration in all regions
+ Highly cost-efficient
+ Different formats: 4x3, 14x4, bus shelter, bus wraps,..

Nevertheless, the OOH disadvantages:

- High capital cost
- Message wastage in targeting
- High clutter
- Location/adjacency not secured
- Environment not conductive to image
- Limited research

- 4 x 3 billboards for a period of 2 weeks campaign with 2 bursts.
- Mobile Bus panels (using both panels back & sides) for a period of 1 month.
- Bus Mupies (Bus stops) for a period of 1 month.

MAIN VISUAL

BTL

⇒ Run image related promotion **" Week-end at the Cedars".**

Promotion Mechanics:

Consumers will collect 2 Cedars packs and are asked to fill the entry coupons .

They are entitled to fill as many entry coupons as they want as long as they attach 2 Cedars packs.

Then a draw will take place after 6 weeks from the time the promotion starts.

Main Prize: The winner of the main prize will win a "Week –End at the Cedars" with six of his friends.

Runner Up prizes: There will be a draw on 500 premiums like:

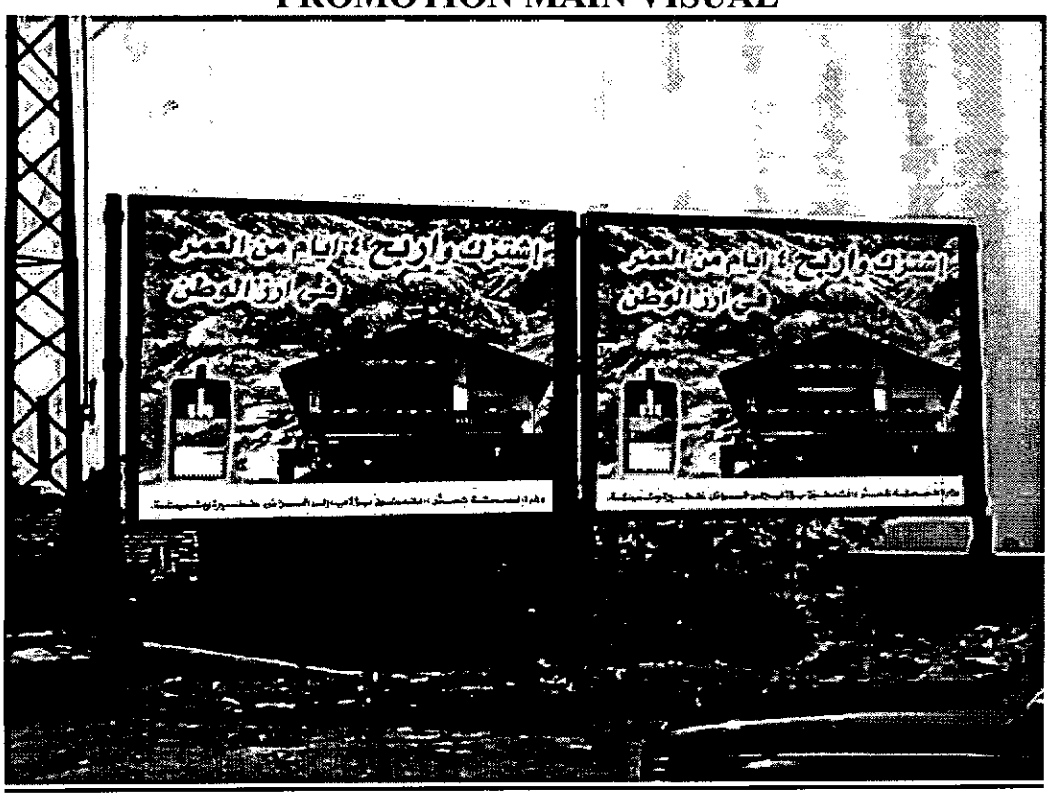
- Lighters
- Bags
- Radios
- Watches

Support Material: The promotion will be supported by:

- Press Ads
- Leaflets
- Danglers
- Posters

وزارة الصحة تحذر: التدخين يؤدي إلى أمراض خطيرة ومميتة.

PROMOTION MAIN VISUAL



BUDGET AND EXPENDITURES

Ensuring the application of the above marketing and communication strategies, time and effort should be put behind the plan. This includes direct marketing expenditures for both the ATL and the BTL.

The budget split will cover broadly the major activities. Definitely, the budget could be re-allocated and shifted from one activity to the other in emergencies. Thus, if for a reason or another promotion outperforms expectations, then more funds could be injected.

Below, is the general split for the Direct Marketing Expenditures (DME):

o **OUTDOOR:**	**325 K**
o **RADIO:**	**75 K**
o **PRINT:**	**50 K**
o **SAMPLING:**	**25 K**
o **PROMOTION**	**150 K**
o **POSM/PREMIUM:**	**175 K**
TOTAL	**800,000 USD**

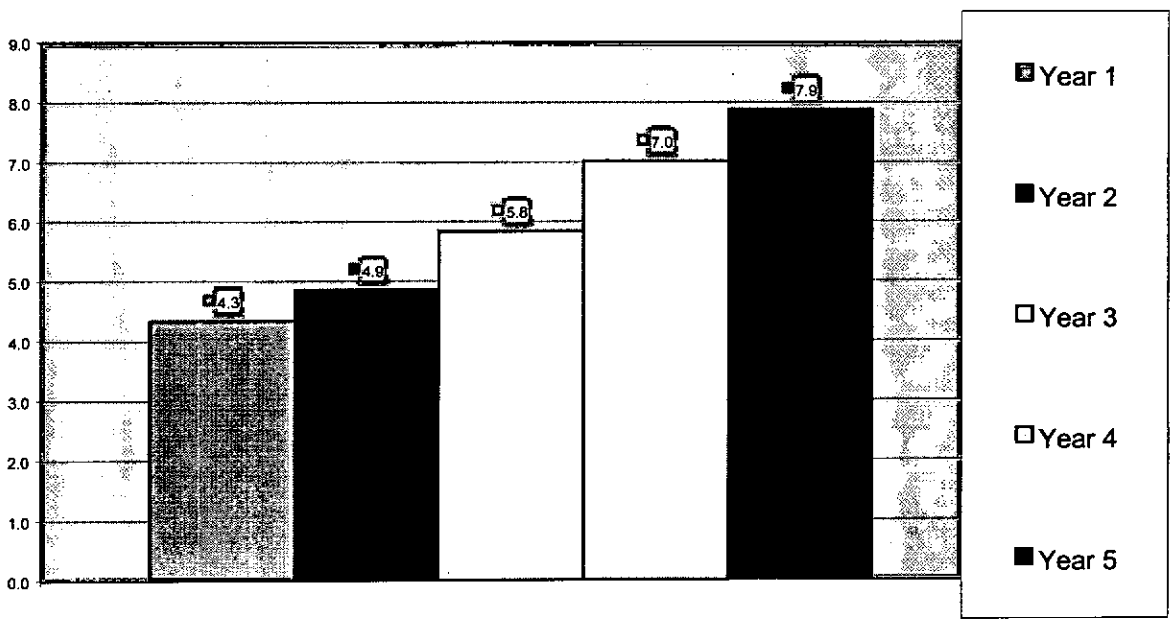
FINANCIAL FORECAST

■

	Year 1	10% increase Year 2	12% increase Year 3	12% increase Year 4	12% increase Year 5
olume (boxes).	100000	110000	123200	137984	154542.08
et Sales Volume	13 Mio	14.3 Mio	16 Mio	17.93 Mio	20 Mio
ost of Goods	5 Mio	5.5 Mio	6.16 Mio	6.89 Mio	7.72 Mio
ross profit	*8 Mio*	*8.8 Mio*	*9.84 Mio*	*11.04 Mio*	*12.28 Mio*
dvertising & Promotion	0.8 Mio	0.8 Mio	0.8 Mio	0.8 Mio	0.8 Mio
verhead.	2.86 Mio	3.14 Mio	3.2 Mio	3.22 Mio	3.6 Mio
et profit	**4.34 Mio**	**4.86 Mio**	**5.84 Mio**	**7.02 Mio**	**7.88 Mio**
verHead	22 % O.H	22% O.H	20 % O.H	18% O.H	18% O.H

00 L.L. Wholesaler price/ pack
50 L.L. Cost of Goods/pack

5 Years Sales Financial Plan



In year 1, the Overhead ratio is high due to the fact that new blood needs to be injected within the working team; the existing team needs to get trained, as they haven't done any activity for Cedars before. Also, as one widens the operations, more overhead cost needs to be injected. With time, efficiency starts to get better causing the overhead cost to decrease.

As for the advertising and marketing expenditures, we have decided to use the same strategy in putting money behind the brand using Flat Expenditure Strategy. Thus, we will keep allocating the same dollar amount across the five years even though our sales are increasing. However, if competition becomes very aggressive during the course of the year, we will re-visit our spending strategy to maintain the planned momentum of the brand.

RECOMMENDATION

Portraying the above in-depth consumer and product analysis with such a new fresh approach for re-positioning the brand, it is obvious that the brand has an edge and potential for growth. Most of the brand characteristics showed positive outcomes and gave an edge for the brand be it the economic conditions or product attributes.

The financial figures came later to translate and back up this potential growth. The figures clearly show that on the short term, the investment yields a slight increase in net profits. However, the ultimate goal for product persistence is in the long term. So the long-term figures with all the marketing efforts portray nearly double profit margins for the brand. This excludes the opportunity behind selling the brand in international markets like Syria, Jordan, Iraq….. This will definitely boost sales with huge figures. However, at this stage it is recommended to establish a solid ground in the local market and then go for the international markets.

Therefore, and as a recommendation, it is wise to start injecting money and running marketing activities to support the brand.

CONCLUSION

Cedars with such a strong brand name and heritage, has got all the advantages to gain leadership in its segment. The marketing steps taken above are a collection of marketing tactics that set the next steps and the long term path for the brand. It is crucial to simultaneously monitor the pace of the brand's growth and the integrity of its offering, while keeping a close eye on the competition.

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